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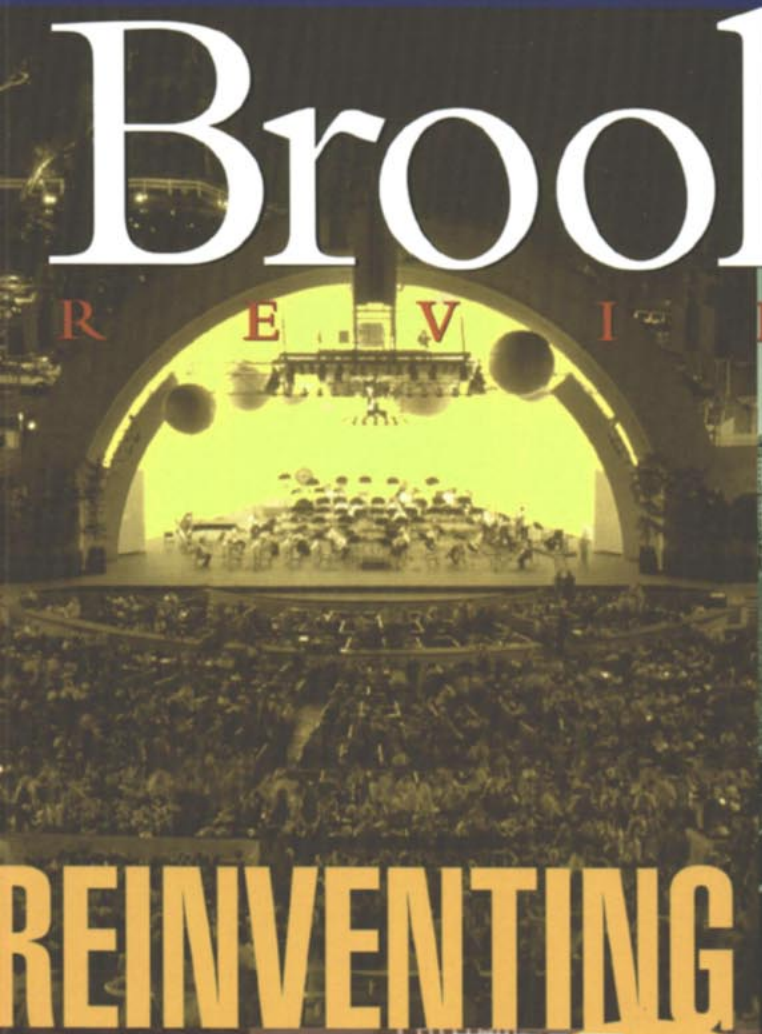

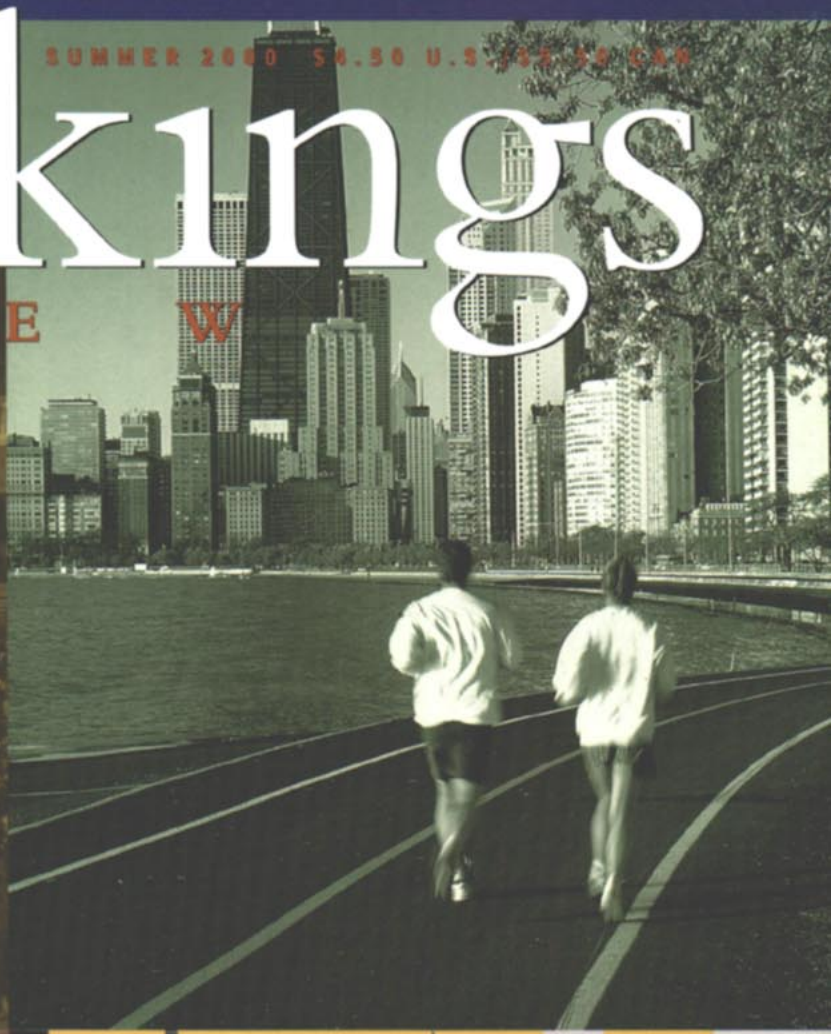

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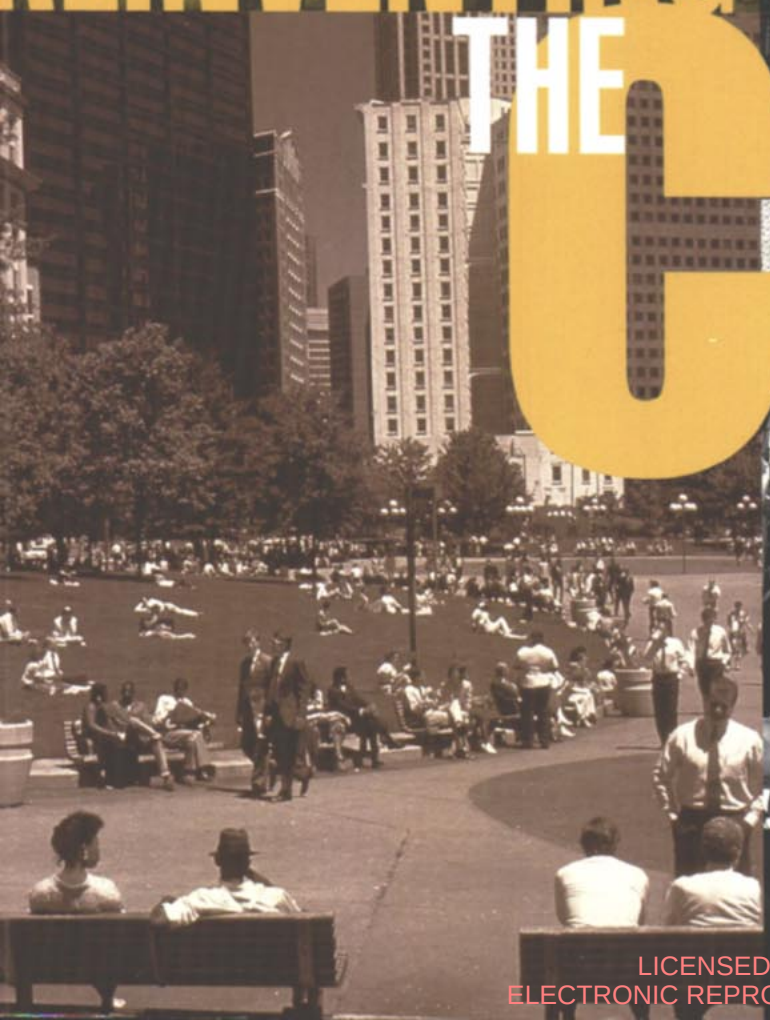

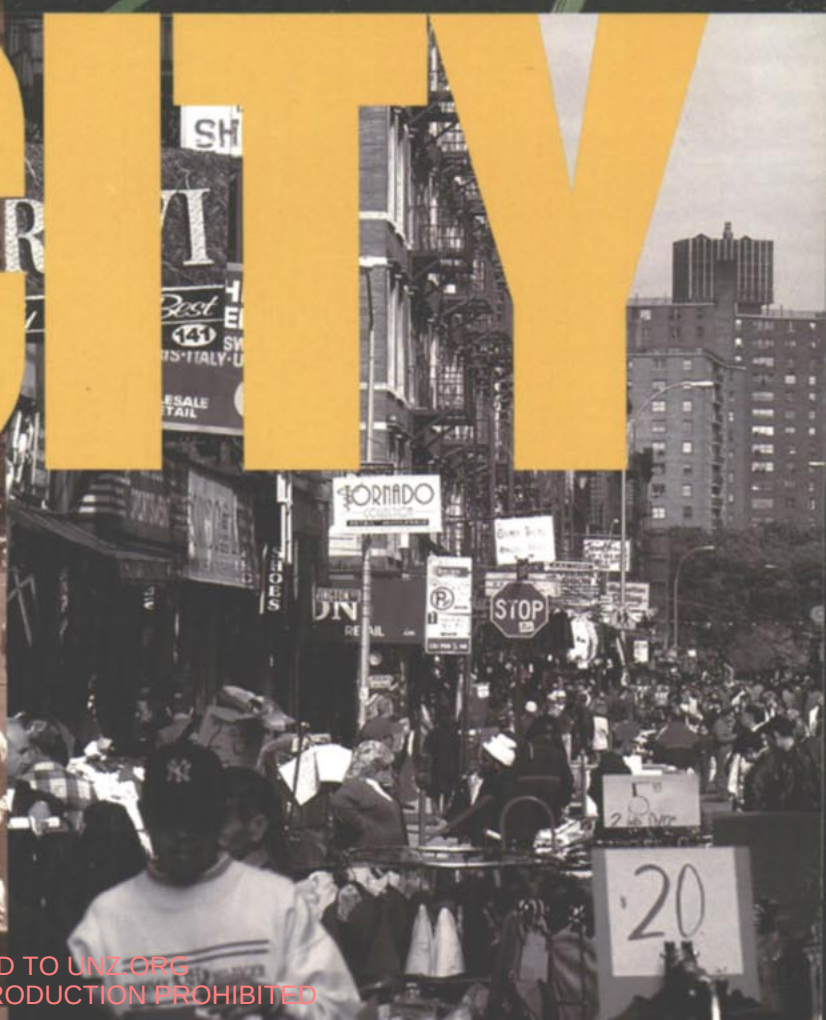

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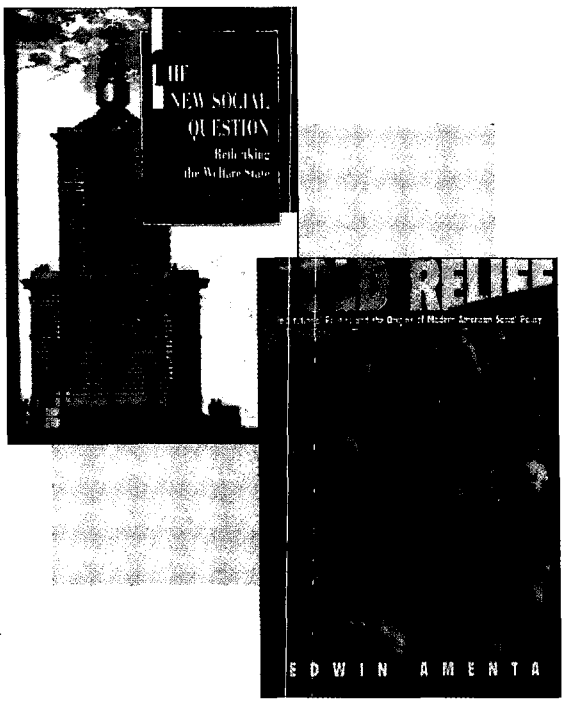

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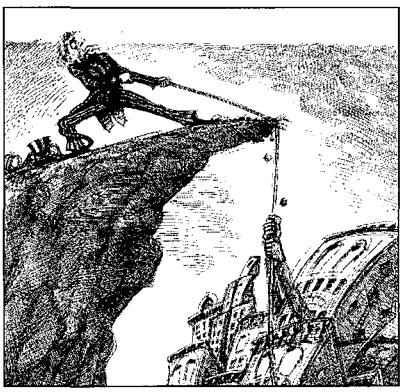

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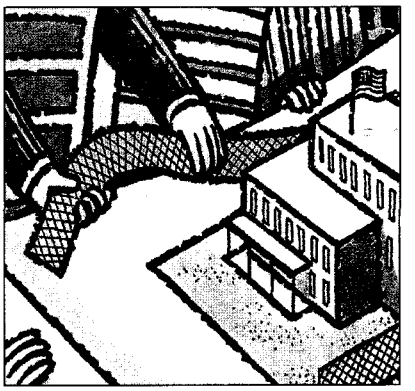

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A CONSIDERED OPINION

Vincent Scully

The American Cit

What will our cities be in 25 years? The question calls up a caricature, a grotesque vision of ultimate ghettoization. The vision involves a permanent underclass of poor people, largely defined by race, in rotting urban enclaves with no public transportation worthy of the name. An affluent class lives far off in automobile suburbs, probably gated. A skyscrapered business center rises like a sterile Acropolis. Government is off in what it calls a "campus" somewhere. And all of it is spread out at regional scale, consuming enormous quantities of landscape, more like a small nation than the city as we have known it, and perhaps, like Miami today, with its own foreign policy.

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To make something like this baroque vision come true, all we have to do, I suspect, is nothing at all. Any specific suggestion about how to make something else happen may sound paltry, because it will be bound by the limitations of the individual who makes it. But I want to suggest what architectural design might do, or has begun to do, to reverse the process of ghettoization, centrifugal dispersion, and sprawl. The New Urbanism tells us that the architect's essential job has always involved the manmade environment as a whole, that we once knew quite well how to shape it and are now learning how to do so again.

I think first of Seaside on the Gulf of Mexico in Florida's Panhandle, the first of more than a hundred projects designed by Andres Duany and Elizabeth Plater-Zyberk, an ideal community at pedestrian scale, put together with the grid and the radiating avenues of the classical American planning tradition and built up in the wooden vernacular architecture of the region. Small, rather haunting, and Chatauqua-like, with a seasonal population, Seaside is still very much a town, with the liveliest retail trade along the coast. It has been followed by such very different communities as Kentlands in the suburbs of Washington, D. C., also by Duany and Plater-Zyberk, largely constructed of brick with many row houses in the Georgian vernacular of the Middle Atlantic tradition; and Laguna West, near Sacramento, by Peter Calthorpe; Harbor Town in Memphis, designed by RTKL of Baltimore and Looney Ricks Kiss; Fairview Village in Portland, by Lennertz and Coyle with Bill Dennis; Reston Town Center by RTKL; and the beautiful I'On near Charleston, by DPZ and Dover Kohl for the developer Vince Graham.

All these developments are fundamentally towns, or the image of towns, although none of them except Laguna West yet includes an integral workplace. But the process is under way. Malls, for example, are being transformed into town centers, so returning the automobile world to the pedestrian, as in Mashpee Commons, Massachusetts; Mountain View, California; Chattanooga, Tennessee; and in greater Miami, where Dover Kohl is making a new downtown Kendall out of the old Dadeland Mall and its surrounding "big box" sites.

This has all been wildly successful so far in making towns out of suburbs, or towns rather than suburbs, for an affluent middle class. But the New Urbanism has always had its sights set on affordable houses and rental units along with the rehabilitation of center city and of low-income housing. Duany and Plater-Zyberk, for example, redesigned and rebuilt the blighted Central Neighborhood in Cleveland in a vernacular as lovingly assembled as that of Seaside out of the traditional house type of the area. Other examples include Ray Gindroz's remakes of blighted housing in Pittsburgh, Charlotte, and Norfolk and a good deal of work under HUD's Hope Six program: Peter Calthorpe's Henry Horner Homes in

Vincent Scully is Sterling professor emeritus of the history of art at Yale University.

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in A.D. 2025

Chicago; Amy Weinstein's fine traditional scheme for Washington, D.C.; and Mayor Vincent A. Cianci's initiative in Providence, where dysfunctional office buildings are being turned into housing.

The wider influence of the principles of the New Urbanism in the inner city is apparent everywhere. In New Haven, as in numerous other places, the high-rise projects of the bad old days have been torn down, as have many of their accompanying low-rise barracks. They are being replaced by three-story wooden, frontal-gabled houses much like the old nineteenth-century two- and three-family type that traditionally shaped the streets of New Haven and from which, in the 1970s, Duany and Plater-Zyberk began to learn their trade. The density afforded by that kind of housing, which is familiar and sympathetic to its inhabitants and their style of life, has proved high enough for most cities, and the process of healing that it entails does not have to include "projects" at vast scale. It is all very well for stylish architectural critics to write that center city ought to be deliciously gritty and tough. Its inhabitants prefer it gentle and calm.

From the New Urbanists we have learned that it pays to urbanize the suburbs, to build rational new towns, and to rebuild the poorest sections of our cities in the same way. A kind of brotherhood, long lacking, cannot help but develop. Yet everything still remains to be done to recreate the sense of community entire, to integrate housing with industry, as was so beautifully accomplished by the Emergency Wartime Housing of 1917-18, and to reintegrate railroads into the system, toward which Calthorpe's studies have already made essential suggestions. Trolleys, once the most valuable and also the shortest-lived introduction into the urban fabric, need to be used once again. And all of that is built, unlike the automobile, on a pedestrian base, on the willingness of people to walk a little bit—and to live a good deal longer. It is clear that the New Urbanism has already managed to create, or to revive, the kind of town and city environment that most Americans at all economic levels love best, and that is the most important thing about it.

Another hopeful sign is that most Americans today, general public and involved professionals alike, seem to value mayors above any other elected officials. Mayors have generally embraced the New Urbanism, as has the National Trust for Historic Preservation, which works closely with them. The U.S. Conference of Mayors has also set a splendid record, conspicuously absent in the U.S. Congress, of civilized cooperation between members of different political parties. Indeed a new politics is alive among the mayors; it hardly matters whether one is a Democrat or a Republican. It is possible to endorse the New Urbanism either way. Does this comity also suggest a weakening of the national fabric? One thinks not. The reasons for it lie deeper. They have to do with a revival of what the city has traditionally meant to human beings. It has instilled in them a special sense of their communal power to create a manmade theater for effective action, keeping nature at bay, perhaps even affecting its implacable laws. This has been so from Uruk to Athens and to the pueblos of the American Southwest. Our rituals are different, but they still require a coherent urban structure for their stage. The principle of the walkable neighborhood holds strongest in the biggest cities of all. It still shapes human beings, and if its structure goes, much of what is most human about us goes with it. We have not yet found a substitute for it, certainly not in the television set and the computer, not in the mythical global community of the electronic climacteric. ■

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ENOUGH OF THE SMALL STUFF!

Toward a New Urban Agenda

by Bruce Katz

If history is any guide, discussions of urban issues during this year's presidential campaign will follow a predictable pattern. Both campaigns will issue policy briefs on small initiatives that will "empower" communities. The formal debates will contain one obligatory question on cities, the responses to which will be highly scripted. Vice President Gore will describe the administration's efforts to spur private investment in "new markets." Governor Bush will discuss his proposals to stimulate faith-based efforts in urban neighborhoods. Few reporters will focus on the state of the cities or the contrast between the candidates.

The poverty of the national debate on cities should come as no surprise. Over the past few decades, national "urban" policy has been reduced to a small set of micro initiatives and marginal investments. The buzz words—"empowerment zones," "community renewal"—come and go but the end effect remains the same. While some good is accomplished, few initiatives fundamentally change the growth (or decline) trajectory of older places. No harm, (no real money), no foul.

Bruce Katz is director of the Brookings Center on Urban and Metropolitan Policy and a senior fellow in the Brookings Economic Studies program.

The marginalization of urban policies is in part a response to the diminishing political influence of cities after decades of depopulation and suburban growth. Yet the lack of national interest has as much to do with policy perspective as with political calculation. National decisionmakers (and many urban advocates) have simply ceased to ask how major policy decisions affect different kinds of places and communities. Debates on tax and spending priorities, health care, child care, education, environmental protection, welfare, and transportation generally proceed without serious regard to what the spatial impact of policy reforms would or should be. Yet these larger policies are the ones of most critical importance to cities, given the demographic composition and market function of these places.

This essay is devoted to rethinking the core elements of a national urban agenda. Given what we know about cities, what should our presidential candidates be talking about? Why do cities matter to a suburban nation? Which government policies are harmful to cities and need to be overhauled? What new efforts need to be made? What policies will make a difference in places that have become fundamentally isolated from the mainstream economy? What is the political basis for major shifts in policy?

The Context for a National Urban Agenda

Many older cities are experiencing the first sustained renewal in decades. An array of social indicators—violent crime, unemployment, poverty, urban homeownership—is moving in the right direction. Cities like Chicago, Atlanta, Cleveland, and Boston that have lost people for decades are either showing slight increases or only minor declines in population.

Cities are also rediscovering their competitive assets. They are home to many of the nation's leading universities and medical research centers. They offer the growing number of "empty nesters" an attractive lifestyle, with easy access to cultural amenities, health services, and other necessities of daily life. They are the cultural and entertainment magnets of their regions. As Edward Glaeser observes, the density of cities offers the perfect milieu for the driving forces of the new economy: idea fermentation and technological innovation.

Urban political leaders are also a different breed from their predecessors. Mayors in Chicago, Cleveland, Detroit, and elsewhere now control the school systems in their cities. Mayors in Boston

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and Oakland are spearheading new policing and community strategies to reduce crime. Mayors in Washington, D.C., and New Haven are exercising a creative blend of fiscal discipline and managerial reform. And mayors in Denver and Milwaukee are changing the physical landscape of their jurisdictions with ambitious efforts to expand parks, remake their downtowns, and reclaim vacant land for redevelopment.

Yet a fair assessment would have to conclude that cities continue to lose ground to their suburbs in the competition for jobs and middle-class households and the tax revenues that they represent. Setting a real urban agenda requires understanding the forces driving these decentralization trends and determining which are inexorable and which are subject to change. The hard fact of life is that cities confront five large challenges, rooted in macro demographic and market trends and federal and state policies, that they cannot solve on their own.

The Sprawling of America

Despite signs of urban renewal, the decentralization of economic and residential life continues apace. From 1980 to 1997, 23 of America's 25 largest cities gained population more slowly than their metropolitan areas or lost population while the metropolitan area gained people. Even Sunbelt cities like Phoenix, Dallas, and Houston are growing more slowly than their suburbs. Cities have lost disproportionate numbers of middle- and upper-income households who form the backbone of economically strong communities. From 1989 to 1996, 7.4 million upper- and middle-income households left cities for suburbs while only 3.5 million moved from suburb to city. Median household incomes of cities and suburbs thus continue to diverge. In 1989 suburban median income was 58 percent higher than central-city median income. By 1996 the chasm had widened to 67 percent.

The suburbs also dominate employment growth. A study of 92 metropolitan areas found only 17 places where city job growth outpaced suburban job growth during the middle of the 1990s. The bulk of the cities did gain jobs but at a slower pace than their suburban neighbors. From 1994 to 1997, for example, the central business districts in Ohio's seven major cities had a net increase of only 636 jobs. Their suburbs, by contrast, gained 186,410 new jobs.

The new economy is increasingly an "exit ramp" economy. The technology clusters in places like Washington, D.C., Austin, and Boston flourish in exurban campus-style settings rather than traditional downtowns. A recent *Washington Post* survey showed that less than 6 percent of the jobs in the Washington region's largest technology firms are in the District of Columbia.

The impact of these decentralization trends, of course, extends well beyond cities. Sprawling development patterns are destabilizing many of the suburbs that surround America's cities. Older suburbs are experiencing the same challenges as cities: failing schools, persistent crime, and the loss of jobs and businesses to other, further out suburbs. Even suburban areas that are developing rapidly are finding that explosive growth has its drawbacks, especially in the form of overcrowded schools, but also in long commutes and the inability of local governments to pay for new roads, sewers, and other infrastructure.

The Burdens of the Working Poor

In the wake of decentralizing economies, central cities remain the residence of "choice" for low- and moderate-income families. While poverty has declined in central cities, for example, urban poverty rates are still twice as high as suburban poverty rates, 18.8 percent as against 9.0 percent in 1997. Cities and older suburbs are also disproportionately home to families whose earnings are above the poverty level, but below median income (national median income is $37,000 a year, and 200 percent of the poverty level for a family of three is $27,000 a year).

The demographic composition of cities is important for several reasons. The incomes of the working poor and other low-income families have not kept pace with the rising costs of health care, housing, child care, transportation, and other necessities. Cities, therefore, are more likely to have residents who lack health insurance and struggle with the burdens of housing and child care. For example, slightly more than half of the households who have "worst-case housing needs" (that is, pay more than 50 percent of their income for rent or live in substandard housing) reside in central cities. Almost a quarter of the families who live in cities do not have health insurance, compared with 15 percent of suburban families.

Such poverty has a direct impact on municipal budgets and taxes. As researchers at the Wharton Real Estate Center have shown, cities find themselves left with heavy costs for schools, police, welfare, and social services, yet little means to pay for them as the tax base migrates with middle-class households and employers.

The Growing Concentration of Poverty

Cities are not just home to too many poor families; they are also home to neighborhoods where poverty is concentrated. From 1970 to 1990, the number of people living in neighborhoods of high poverty—where the poverty rate is 40 percent or more—nearly doubled from 4.1 million to 8 million. As Paul Jargowsky and others have shown, concentrated poverty is principally an urban (and racial) phenomenon.

The implications of concentrated poverty are severe. People in these neighborhoods often face a triple whammy: poor schools, weak job information networks, and scarce jobs. They are more likely to live in female-headed households and have less formal education than residents of other neighborhoods.

Welfare reform is where the challenges of decentralizing opportunities and concentrating poverty come together. Many of the jobs that welfare recipients need cannot be found in their neighborhoods or even in their own cities. Not surprisingly, cities have a rising share of the welfare caseloads in their states, even as welfare rolls drop. Philadelphia is now home to 12 percent of all Pennsylvanians, but 49 percent of

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Pennsylvanians on welfare. Baltimore has 58 percent of the state's caseload and only 13 percent of the state's residents.

The Realities of Urban Schools

Public school populations more or less mirror the populations of the neighborhoods in which the schools are located. In 1996, for example, 75 of the public schools in the Greater Washington, D.C., region had more than three-quarters of their students eligible for free or reduced-cost lunches. All but three of these schools were located in the poor neighborhoods of the central city.

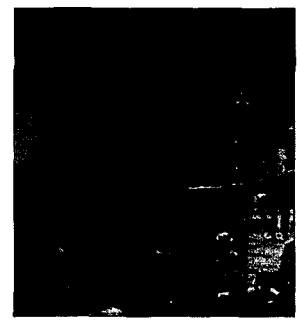
There is a strong correlation between a school's share of low-income students and poor performance by its students on standardized tests. In her studies of U.S. student performance, Diane Ravitch has found that fourth graders from high-poverty neighborhoods have dramatically lower scores on the National Assessment of Educational Progress than their suburban counterparts. Although nearly two-thirds of suburban children achieve "basic" levels in reading, less than a quarter of children from high-poverty neighborhoods do so. Only about a third achieve basic levels in math and science, half the fraction of suburban students.

Poor student performance, of course, is not just a product of concentrating poor students. As Ravitch has written, "[t]oo many big-city school systems have failed to use resources wisely, set clear academic standards, improve teacher recruitment and compensation, and, most important, increase achievement."

Aging Infrastructure, Broken Bureaucracies

Cities are not different just because of who lives there. They are generally older than their suburbs and show signs of age. Many cities were once home to manufacturing industries that have decamped for the suburbs or other nations, leaving behind empty buildings and polluted lots. These lots either remain underused, creating a drag on tax rolls, property values, and general neighborhood morale or require expensive cleanup investments. The infrastructure—the roads, bridges, sewer lines, subway tunnels, school buildings, and the like—in cities is old and has all too often been undermined by years of deferred maintenance.

The existence of aging infrastructure is complicated by the dysfunction of urban governance. Many urban systems and bureaucracies have simply ceased to function in an efficient or streamlined fashion. As Mark Alan Hughes notes, Philadelphia has 15 separate bureaucracies with some responsibility for disposing of urban land. In other cities, similar horror stories abound with regard to school reconstruction, the delivery of basic services, and infrastructure repair. The hard fact of life is that newer suburbs are easier, cheaper, more predictable places to do business. In most places, doing business with or within a city is still a headache, which costs time and money.



The Limits of Federal Policy

The trends described above—sprawl, lagging incomes, concentrated poverty, failing schools, aging infrastructure—are generally treated separately by national leaders and policy experts. Yet all are inextricably linked and form an iron law of metropolitan growth that is hard to break. Poor neighborhoods with high costs, inadequate services, and low-performing schools push out families with resources, who move to the edges of the region. As these families leave, so do jobs, services, and businesses. This flight further weakens already struggling neighborhoods, accelerates the decentralization of the region's economy, and puts more pressure on other fast-growing jurisdictions.

With notable exceptions like the Community Reinvestment Act, federal policies have been more a part of the urban problem than a part of the solution. First, federal policies help set the "rules of the development game" that facilitate the trends discussed above. Federal transportation policies support the expansion of road capacity at the fringe of metropolitan areas and beyond, enabling people and businesses to live miles from urban centers but still benefit from metropolitan life. Tax and regulatory policies have given added impetus to people's choices to move further and further out. The deductibility under federal income taxes of mortgage interest and property taxes appears spatially neutral but in practice favors suburban communities, particularly those with higher-income residents. Major environmental policies have made the redevelopment of urban land prohibitively expensive and cumbersome, increasing the attraction of suburban land.

Other federal policies have concentrated poverty rather than enhanced access to opportunity. Devolving responsibility for work force and housing voucher programs to thousands of local public housing authorities and work force investment boards has made it difficult for low-income families to know about suburban housing vacancies or job openings. Until recently, federal public housing catered almost exclusively to the very poor by housing them in special units concentrated in isolated neighborhoods. More than half of public housing residents still live in high-poverty neighborhoods; only 7 percent live in low-poverty neighborhoods, where fewer than 10 percent of residents are poor.

Second, national policies have failed to deal with the challenges faced by families whose earnings are above the poverty level, but below median income. These families are in the national policy blind spot. They do not qualify for programs such as Medicaid, which are aimed at people at or just above poverty or on or just off welfare. They also do not receive, partly because they do not itemize their tax deductions, the various subsidies for middle-class life, such as the home mortgage interest deduction, tax-deductible retirement accounts, or the $500-per-child tax credit nearly as much as wealthier families. Making work pay is a national responsibility; local efforts require higher taxes, mak-

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ing cities even less attractive to business and residents.

Finally, federal programs aimed at revitalizing neighborhoods and improving schools are too specialized and prescriptive and prevent localities from tailoring resources to diverse market realities. Related programs are governed by different sets of rules that discourage collaborative effort and are administered by a crazy quilt of bureaucracies that have overlapping and disjointed administrative geographies.

For local leaders trying to stimulate business investment, create livable neighborhoods, or support working families, this fragmentation and rigidity presents a maddening obstacle to sensible solutions. Even such touted efforts as the federal empowerment zones provide a one-size-fits-all set of tax credits that constrains cities in their efforts to exploit their own diverse competitive advantages. Federal wage credits, for example, might make sense for a city trying to lure additional large employers like hotels, but they may not be the right tax incentives to help small businesses expand or to assist in the acquisition and cleanup of vacant land.

Toward a New Urban Agenda

After decades of counterproductive policies and marginal efforts, it is time to define a new urban agenda. The time is particularly propitious. The excesses of suburban sprawl are creating new, powerful political coalitions that advocate reinvestment in cities as an essential element of smart growth. The plight of the working poor is as much a suburban as an urban problem, given the spatial distribution of these families. The national budget surplus means that there are resources to invest in areas of domestic policy (such as health care, children, infrastructure) that have long been neglected. There is a national appetite for policies that subject municipal bureaucracies (like schools) to competition. And the rise of innovative local leaders means that there are capable people who can be partners with the federal government.

The critical step toward a new urban agenda is to think big—not only in terms of new investments, but in terms of policies that can help alter the environment in which cities operate and interact with their surrounding suburbs.

This essay recommends that national policy focus on five objectives, each of which mirrors one of the challenges described above.

Promote Smart Growth and Urban Reinvestment

First, a national urban agenda needs to level the playing field between old and new communities. The propensity of federal programs to subsidize the development of new communities should be ended in favor of policies that reinvest in existing communities, both cities and suburbs.

Federal transportation funds should be used in metropolitan areas almost exclusively to repair and maintain existing highways and to expand alternative transportation strategies that relieve congestion and promote more balanced growth patterns. Federal funds should be used to build new highways in metropolitan and adjoining areas only in exceptional circumstances and only when linked to the expansion of affordable housing.

Retargeting transportation resources will serve double duty. It will weed the subsidy out of sprawl and compel exurban retail and commercial and residential projects to stand on their own merits. It will also make it possible to finance major infrastructure repair projects in cities and older suburbs. As Andrew Haughwout argues, investment in urban projects is more likely than traditional road expansion to boost productivity in a metropolitan area and benefit both urban and suburban residents.

Federal tax incentives should be expanded to boost homeownership in places where homeownership rates are exceedingly low. Incentives could include a tax credit that goes directly to first time homebuyers (as in Washington, D.C.) and a tax benefit that entices developers to construct or renovate affordable homes (like the existing tax credit for rental housing). Such incentives would enhance the ability of working families to accumulate wealth and contribute to the stability of neighborhoods by lowering the costs of homeownership.

Finally, the federal government should support the assembly, cleanup, and reclamation of urban land. Because of depopulation, many American cities contain vast swaths of vacant land that are ripe for redevelopment. These areas, particularly those close to airports and highways, continue to have a significant economic and social purpose. Yet the cost of reclaiming this land for productive use cannot be borne by the private sector. The federal government should give older communities the flexible resources, regulatory incentives, and operational support necessary to transform the urban landscape.

Invest in Working Poor Families

Second, a national urban agenda needs to invest in working families and their children. People who work and play by the rules should have access to quality health care, affordable child care, and affordable housing. They should be given the same incentives as middle-class families to save for retirement or important family purchases. Their children should receive the lifelong benefits of early childhood education.

The federal government could achieve these goals through several means. It could expand direct supports for families like housing vouchers and the earned income tax credit. It could create new incentives, like the administration's proposed "USA Accounts," to help working families accumulate wealth and link to the financial mainstream. Where direct supports are not sufficient, Washington could invest in proven neighborhood institutions that meet pressing needs, like community health centers, Head Start facilities, and community development corporations.

Whatever path is chosen, the unifying theme is to invest in people and, through people, in the places where

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they live. These investments will not be cheap; but they are a necessary element of the post-welfare world, where work has become the organizing principle for social policy.

Enhance Access to Opportunity

Third, a new national urban agenda needs to give central-city residents greater access to housing, employment, and educational opportunities no matter where they are. In the new decentralizing, metropolitan economy, solutions to urban problems cannot stop at city borders if they are to reflect the realities of the marketplace.

To this end, cities may need (ironically) to lessen their control over certain federal programs. Governance of the housing voucher program, for example, should be shifted to the metropolitan level. The monopoly of public housing agencies should be ended and the program should be administered by those entities—public, for-profit, or nonprofit—who can best do the job.

In the work force arena, federal and state policies need to build and support a network of intermediaries (faith-based and secular) to improve the skills of low-income workers and link them to metropolitan employment opportunities. Federal help could enable nonprofit organizations, community groups, and churches to play the critical brokering role between businesses, neighborhoods, bureaucracies, and low-income people.

Fix Urban Schools

Fourth, a new national urban agenda needs to place substantial emphasis on fixing urban schools. Yet urban schools can be fixed only if we think beyond the narrow confines of education policy. Expanding the supply of affordable housing in the suburbs and expanding housing choice for low-income families in the metropolitan marketplace are education strategies. Creating stable, mixed-income neighborhoods will lead to a more diverse mix of students in many elementary and secondary schools. National school reformers would be wise to make those linkages explicitly as they struggle with reforming systems that have been tasked with educating an overwhelming proportion of the poor children in a region.

With regard to education policy, the federal government has enormous opportunity to use its relatively small investment in schools to leverage serious change in urban school systems. Federal investments could increase the supply of qualified teachers, modernize dilapidated schools, enhance local flexibility, and promote choice, competition, and accountability. Yet, as Paul Hill notes, one missing piece of the conversation is the lack of capacity in many jurisdictions to design, implement, and sustain reform efforts. In Hill's view, the federal government needs to use all its powers—resources, waiver authority, technical expertise, the convening role—to move long-term education change in individual cities.

Promote Greater Devolution and Local Reform

Finally, a national urban agenda needs to give local leaders greater say in how to design and implement federal programs and policies. As Franklin Raines demonstrates, urban markets are highly diverse and call for distinct solutions. Cities should be allowed to tailor federal resources to their own market realities and local priorities.

High-performing cities should be permitted to dedicate some portion of their federal grants for priorities set by local leaders. Such cities should also be allowed to structure targeted tax incentives in a way that leverages local market opportunities. In cities facing gentrification, emphasis might be placed on ensuring housing affordability for poor working families. In cities facing a massive exodus of people and jobs, emphasis might be placed on restoring neighborhood markets or assembling land to attract business investment. The trade-off for more responsibility would be more accountability. Cities would be allowed to exercise these options only after local leaders agree to be held to high standards and performance benchmarks. In all cases, maximum flexibility should go to places that demonstrate working partnerships among political, corporate, and community leaders as well as close collaboration between cities and their suburbs.

Not all cities, of course, are ready to be effective partners with the federal government. In these places, additional federal investment is currently used to compensate for rather than fix broken systems. Yet federal resources should be used to leverage reform, not conceal inefficiency. Troubled public housing authorities need to be taken over and broken up. Resources for land reclamation should be provided only to places that streamline the process for assembling and disposing of urban land. For the most distressed cities, Edward Hill and Jeremy Nowak propose a radical experiment to slash local taxes, reform broken bureaucracies, and restore the fundamentals of market competition.

Thinking Big

For American cities to have the kind of national agenda that they deserve and need, some fundamental change is necessary. Local and national leaders alike must think about urban policy in new ways—not as an ad hoc collection of marginal investments but as a powerful integration of how the nation approaches many of our most serious challenges. Health care reform and education reform—both key elements of the campaigns of Vice President Gore and Governor Bush—should be understood and discussed from the perspective of cities, where they will have their greatest impacts.

Local and national leaders must also think about the politics of urban policy in new ways—not as the cheapest way to mollify a particular constituency but as a way to find common ground between cities and their suburbs. In the decentralizing economy, the term "urban" now applies to a broad range of jurisdictions that are experiencing similar challenges and require similar solutions.

The time is long past due for our leaders to go back to first principles, reexamine basic trends, and reinvent national urban policy to match the real challenges of cities, in scale and form. Only then will American cities realize their potential as vital centers of our nation's economic, social, and cultural life. ■

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DEMAND FOR

COLLAGE BY JEFFREY KIBLER

Is the city becoming obsolete? Many social observers believe that it is. In their view, improved information and transportation technology has deprived urban density of its raison d'être. They also argue that many cities have caused themselves irreparable damage by pursuing policies that have attracted the poor and repelled the rich. The combination of foolish policies and technological change, they say, has doomed the city.

Ongoing technological developments do indeed have massive implications for urban form. It is also true that many cities have followed policies that, in hindsight, appear unwise. Without question some cities are in deep decline. Some may not recover. But the turn of the new millennium does not presage the end of a ten-thousand-year pattern of increasing urbanization.

In the cities of America's South and West, where new construction is unfettered, urban population growth continues apace. Edge cities—so called after Joel Garreau's 1991 book by that name—may not look exactly like the older, denser cities of the Northeast, but they confirm the ongoing importance of urban agglomerations. Continued demand for urban proximity is also evident from the path of real estate prices in traditional urban areas. In many older cities, where construction is sharply constricted by the costs of building up and, often, by zoning regulations, increased demand shows up not in population growth, but in higher housing prices. For example, real housing prices grew more than 4.5 percent a year in Boston and San Francisco between 1983 and 1998, though both cities' populations barely budged. And the real estate booms in cities such as New York and Chicago confirm that demand for many of the older urban areas remains strong.

Are cities here to stay? Envisioning their future requires understanding their functions. Ultimately, it's true that the future of cities depends on the demand for urban density. And the demand for density depends on what density does.

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Cities: A Moving Experience

Density has important benefits for both production and consumption, primarily because it lowers transport costs. In production, cities traditionally lower the cost of moving goods, people, and ideas. In consumption, they provide access to large public goods and to specialized services. Cities can also provide a desirable (or undesirable) social milieu for consumers, which may be extremely important to the future of cities.

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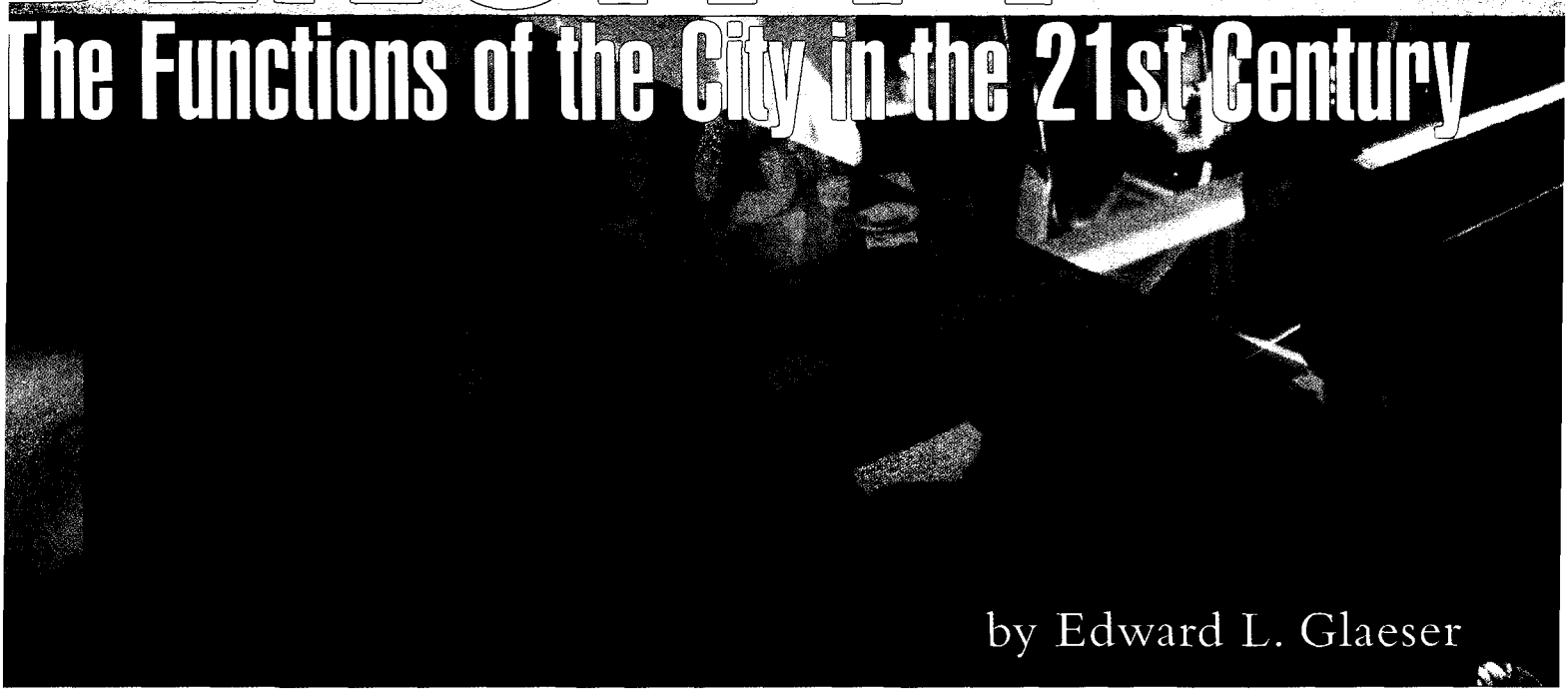
DENSITY?

The Functions of the City in the 21st Century



by Edward L. Glaeser

I begin the risky project of crystal ball gazing by noting two trends expected to continue into the foreseeable future. The first is rising incomes, accompanied by increased demand for luxury goods and, especially important for commuting, a higher opportunity cost of time. The second trend, improving technology for transporting objects and ideas, may eliminate some of the productive functions of cities, but may make cities more valuable in other ways.

Today one venerable urban edge—in the cost of transporting goods—has disappeared. As a result, manufacturing has already left the cities, and large-scale wholesale trade is about to follow. But the urban advantage in moving people is still enormously important, both in the service sector, which requires interpersonal contact, and in the labor market, which allows people to switch jobs without switching homes. Cities also remain key in moving ideas.

As important as the production side is, the future of most cities depends on their being desirable places for consumers to live. As consumers become richer and firms become mobile, location choices are based as much on their advantages for workers as on their advantages for firms. Some cities, such as San Francisco, seem to appeal strongly to consumers. Other cities do not. The ones that are attractive have thrived in both property values and population.

Production in the City: Transporting Goods

Businesses have long located in cities to minimize transport costs of all kinds, especially the cost of moving goods. America's familiar port cities—Boston, New York, and San Francisco—grew up because firms wanted to save money receiving raw materials and shipping finished products. Soon the impetus toward growth in such cities transcended the port function, as new firms were attracted less by the port and more by the area's firms and growing population base.

By the last few decades of the 20th century, transport costs for goods had declined so much that it was no longer essential for manufacturing plants to be close to customers and suppliers. Indeed, declining transport costs have driven a de-urbanization of manufacturing almost as striking as manufacturing's overall decline. In 1950, seven out of the eight largest U.S. cities had more manufacturing (as a share of employment) than did the nation as a whole. In 1990, six out of the eight largest cities had less manufacturing (as a share) than did the United States as a whole. And following on the heels of manufacturing in leaving the city is the land-intensive wholesale trade.

But cities' decreasing ability to provide cheap transport for goods may turn out to have a silver lining. As Matthew Kahn has pointed out, for example, improvements in Pittsburgh's environmental quality subsequent to the departure of the

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manufacturing industry there appear to have attracted the better-educated residents who have spurred the city's rebirth. Census data abundantly document the reluctance of richer people to live close to manufacturing. Not only is it futile for big cities to struggle to hold on to shipyards and big manufacturing plants, it may be counterproductive because heavy industry repels high human capital urban residents.

Moving People: Urban Labor Markets

Although cities have lost their edge in the cost of moving goods, they retain it in the cost of moving people, which is critically important in many service industries. As the economy becomes more service oriented, that advantage may well rise in importance.

Dense urban labor markets are attractive to both firms and workers in the service industry. As J. Kolko has noted, service industry firms tend to locate near each other because they all use the same types of workers. Silicon Valley's continued ability to attract new firms, for example, appears to stem in large part from its labor force of skilled specialists. In turn, the agglomeration of firms provides workers with a form of labor market insurance. In single-company towns—witness Detroit—the entire work force suffers if the main employer falters. In a multi-industry town, by contrast, workers can respond to a downturn in demand simply by switching firms. The key point is that cities allow workers to switch jobs without moving residences.

The urban labor market gives workers greater flexibility in other ways. Unlike their peers in small towns, young workers in a big city can switch from job to job as they figure out what to do with their lives. Likewise, competitive demand for skills in dense cities enables workers to invest in education and training, confident of reaping large returns.

Despite constant improvements in transport technology for people (better cars, airline deregulation), it is not obvious whether the costs of moving people are rising or falling. What is clear is that incomes are rising—and with them the opportunity cost of lost time. The ability of cities to save on transport costs for people thus becomes all the more important.

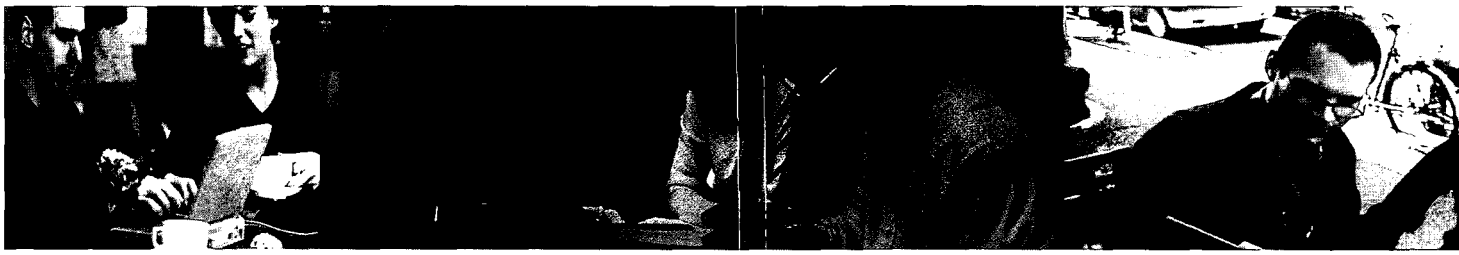
Extreme density is not essential to cities' labor market advantages (Silicon Valley is the classic example of a moderately dense urban area that functions well as a labor market). But increasing proximity is continually valuable for business services. The strengths of downtown Manhattan, for example, come in part from the vast supply of nearby business services. And the same goes for consumer services. The more density, the better when it comes to the supply of restaurants or stores. Analysts who think that cities' chief function is to provide services will value high-density urban areas. Those who believe that their function is to provide large urban labor markets will put their money on edge cities.

The Idea-Based City

Cities are also productive because they move ideas. Patent citations, for example, are remarkable for their geographic localization—inventors appear especially susceptible to the influence of other inventors who are close at hand. As several studies have confirmed, large urban areas are often particularly exciting centers of ferment and product innovation.

The swift movement of ideas in the city spurs production in several ways. People and firms who want to be innovators will come to the city to reap the benefits of the creative milieu. The advantages to being the first innovator in most industries, especially those such as information technology and fashion, appear to be rising. As knowledge becomes an increasingly dominant part of production, the edge from being in a city seems likely to grow.

Even firms that are not seeking to be innovators themselves will be drawn to urban areas to get access to the latest technologies. As the spread of ideas quickens, however, and as the differences in knowledge across space lessen, this effect of the idea-based city will presumably decline.



Finally, idea flows in cities increase the accumulation of skills on the individual level. The rich presence of role models and mentors in bigger cities hastens the accumulation of skills, as does the wider range of experiences available. Compare, for example, the medical problems encountered by an intern in a small-town hospital and those faced by an intern in an urban hospital. And because cities facilitate specialization—Adam Smith observed more than two centuries ago that people in rural areas tend to be generalists, while city residents are inclined to be specialists—the same time spent learning in a city may lead to more expertise in one's particular area.

Whether cities will retain their edge in moving ideas depends on whether information technology will eliminate the need for face-to-face interactions. Here, the evidence is mixed. Although many people thought a century ago that telephones were going to eliminate the advantages of cities, telephone use today is highest among people who live close to one another. And although faxes and e-mail were supposed to eliminate the need to meet face-to-face, business travel has been booming over the past 15 years. One can certainly build a case that face-to-face contact and electronic contact are complements rather than substitutes. As such, electronic technologies are unlikely to eliminate the informational advantages of cities any time soon.

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The Consumer's City

Evidence increasingly suggests that cities that thrive will have to be attractive places for people to live. As incomes rise, the demand for a pleasant local environment will surely continue to increase. The cities that succeed in the next century will be those that can remake themselves as consumer cities. The success of New York over the past eight years comes in part from the success of Wall Street. But New York's reinvigoration also comes from its ability to reduce crime and sell itself on the basis of its many advantages as an exciting place to live.

Perhaps the most striking evidence for the importance of consumer cities is the rise of reverse commuting. Traditionally, people lived in suburbs and worked in cities. Today, patterns are often reversed. Clearly, the desire of large numbers of consumers to live far from their jobs in urban areas implies the desirability of cities as places to live.

One way to see the relative attractiveness of a place is the gap between housing costs and wages. Between 1980 and 1990 increases in a metropolitan area's size pushed wages up marginally, but pushed housing costs up much more. (For the statistically minded, the elasticity of wages with respect to metropolitan area size went from .051 to .082, while the elasticity of housing costs with respect to metropolitan area size rose from .114 to .225.) The substantial increase in housing relative to wages reflects the possibility that the value of the amenities of the largest metropolitan areas has risen steeply.

But have central cities themselves done well? Within cities, both rents and incomes rose steeply closest to the city center during 1980–90. A strengthening of the trend through the 1990s suggests that these neighborhoods are indeed becoming more appealing, especially to the rich. Much of this growth probably comes from rising wages and the rising opportunity cost of time. But the important fact is that some types of consumers who once would have moved to the suburbs are choosing cities.

As with production, cities' consumption advantages stem from lower transport costs. In the market sector, the advantages are greater access to, and greater variety of, services. The wealth of restaurants and stores and the dizzying array of goods available from them surely make cities attractive to consumers. And despite the advent of Internet shopping, stores will continue to attract customers, particularly for the most expensive commodities. The large market size of cities also makes it possible to support big art museums, symphonies, and professional sports teams. Smaller areas cannot provide all these public goods, and their value favors the largest cities.

Although analysts are just beginning to understand the importance of consumer preferences in driving the success of different places, it seems clear that if cities are to succeed, one of their functions must be to please consumers. A rich variety of services, a thriving social environment, and access to public amenities can make big cities consumer havens.

Policy Implications

Given cities' comparative advantage in moving people and ideas and in being pleasant places to live, what are the policy implications for both city and national leaders? In any policy discussion, it is crucial to distinguish between the obligations of these two types of leaders. City leaders have an obligation to build their cities. National leaders should focus on the well-being of their nation as a whole and not favor any particular region.

The most reliable predictor of urban growth—aside from the weather—is the human capital level of a city's work force. The median years of education of a city's work force, in particular, goes far to predict the growth of its population, income, and housing. Two key ways for city leaders to build human capital are by emphasizing quality education and by avoiding an emphasis on redistributive spending, such as welfare, public health, and public housing. This latter recommendation goes against the admirable impulses of most city leaders, who wish to alleviate the pain in the lives of their city's poorest residents. But for cities to undertake large-scale redistribution is counterproductive: they only damage themselves (and their residents) in the process. Redistribution at the city level causes wealthy and skilled citizens to avoid the city, badly erodes the tax base, and leaves the poor isolated.

The obligation of national and state leaders is to fashion public policies that are spatially neutral across areas. These government leaders must eliminate the pieces of spatial nonneutrality that now exist, particularly those that artificially attract the poor to, and repel the wealthy from, big cities. Some spatially neutral national and state policies can benefit cities in important ways. If, for example, the state and national governments were to assume the full burden of redistribution, they would help keep big cities from being poverty centers. And if state governments were to move to a system of statewide education vouchers, they would both increase the quality of schooling available to poor children in cities and provide a major incentive for the wealthy to live in cities. Cities, being large markets, will benefit much more than low-density suburbs from the competition introduced by a voucher system. Indeed, evidence from the Chilean voucher program shows the tendency of the program to favor the larger cities. And if suburbs lost their edge in education, cities would become much more attractive to many families with children.

Looking Ahead

The future of the city depends on the continued advantages of density. The high density levels of traditional downtowns will continue to be valuable if center cities maintain a productive edge in their ability to speed the flow of ideas and if they keep and develop any advantages they may have as centers for consumption. Traditional cities that rely on manufacturing face an extremely uncertain future, because poverty makes them unattractive as consumer havens. They will continue to exist as long as their housing stock remains, but their populations will continue to shrink. The dominant urban form of the future, almost unquestionably, will be the edge city with its moderate density levels. ■

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Playing from Strength

The Market Power of Cities

by Franklin D. Raines

What is the market power of cities? Before the 20th century, no one would have thought to ask such a question. The market power of cities was manifest. Cities like New York and Chicago dominated the U.S. economy. Medium-sized and smaller cities teemed with people and industry. Over the past 50 years, cities have changed. The American metropolis has shifted toward low-density development that is less dependent on the urban core. And the market power of cities is now contested. Some point to suburban sprawl as the answer to whether cities have a future in the marketplace. Others point to gridlock, yes, cities retain enormous economic strength, but as they reduce their density and as centrality loses its cachet, will position in any one city be enough to compete effectively in the new metropolitan economy?

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Fully understanding the market potential of cities, however, requires recognizing their diversity and the complex nature of the markets within them. By "cities" I mean places of moderate to high density that lie at or near the core of their region. Their unique characteristics cannot easily be replicated in the suburbs.

For this analysis, I identify three classes of central cities: global, national, and regional. Each classification is based on a particular city's unique relationship to world markets, the national economy, and local or regional market activity. I also identify three market types (based on their performance relative to the national market average) that are generally found in central cities: supercharged, vibrant, and emerging. An individual city may contain all three markets, and any type of market can exist in any level of city (see figure 1).

Breaking down the complex functions of cities and their markets in this way makes it possible to understand better the market power of cities—and also to suggest appropriate strategies for promoting that power.

Three Classes of Cities

Cities vary in size and function. The typology of global, national, and regional cities is adapted from Peter Hall's *Globalization and the World Cities.* Hall groups cities by the role they play in the international, national, and local economies—a good way to understand how the various markets operate within them. Because today's economy is global, every city is part of a functional world city system. But global cities are at the apex of the world urban order and are qualitatively different from national or regional cities.

Global cities are epicenters of human activity that help drive the global economy. Their businesses focus mainly on specialized information services, such as financial services, medical services, educational and health services, and tourism. They are also centers of cultural innovation, much of which finds its way into commerce. The global city is a place of very high density in terms of buildings and population. Businesses that thrive in a global city's downtown are information intensive and benefit from the proximity of similar businesses. Few cities are large and important enough to be considered global cities. New York, London, and Tokyo are among them.

National cities are political, commercial, or cultural capitals. For example, Washington, D.C., is a center for government, Los Angeles for entertainment, Atlanta for media services. Most resemble global cities but operate at a smaller scale or only in selected sectors of commerce. Some national cities, such as Los Angeles, are at the edge of being global cities. The difference is one of degree and range of functions. The global city is so large, dense, and diverse that it facilitates the most innovative urban industries and lifestyles. National cities approach, but do not quite match, the uniqueness of global cities. A national city can act as a global city in a limited sphere—as Chicago does with its internationally important commodities exchange or Los Angeles with its vast entertainment industry—but does not offer global-level specialized services across multiple sectors.

Regional cities—smaller in size and sphere of influence than national cities—are the traditional cores of local regions: Cleveland; Syracuse; Kansas City, Missouri. Again, occasionally a regional city maintains national-level specialization, such as the concentration of breweries in Milwaukee, but generally they do not operate at the national level. Historically, regional cities were the banking, retail, entertainment, and market centers through which all local goods and products flowed. While still important, these types of cities now have the most competition from newer suburban development. They are no longer the sole hub of a region. For example, the downtowns of regional cities sometimes contain less office space than a good-sized suburban or edge city. But they often continue to lead their regions in tourism (because they are older and more historically significant) and they also supply housing for certain lifestyle niches—vital, pedestrian-friendly urban cores that offer an antidote to the standardized, sprawling, newer suburbs.

Three Kinds of Markets

The economic power of cities is also determined by the three kinds of markets that flourish within them.

The **supercharged market** is an area of a city whose market valuations exceed the national market average for metropolitan America. Supercharged markets are also characterized by the speed at which market values are repriced—also at rates greater than the national market average for metropolitan America. Supercharged markets tend

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FIGURE 1: Market Types and City Levels

to be more affluent, contain a greater diversity of consumer demand, and feature trend-setting lifestyles. Supercharged business markets, such as those found in a city's core commercial district, tend to lead their suburban counterparts in terms of innovation, productivity, and specialized services. Supercharged markets typically feature booming housing demand with escalating prices.

Some of America's best known supercharged markets are in global or national cities such as New York, San Francisco, Chicago, and Boston. For example, New York's Silicon Alley, originally built around the city's graphic and advertising businesses, now features a growing number of multimedia firms. In the past two and a half years, the number of companies engaged in website development, e-commerce, and marketing has doubled, and this rate of growth is expected to continue.

Not all supercharged markets are in our largest cities. For example, the regional supercharged market of Lower Downtown (LoDo) in Denver's historic core is perhaps the oldest urban environment in the Intermountain West. Because most buildings in the region were constructed after World War II, LoDo's historic buildings take on greater value. LoDo's converted warehouses contrast sharply with new housing in metropolitan Denver's many master-planned suburbs. The niche serves LoDo well. Since 1990, its residences have appreciated in value faster than most suburban homes. Premium loft space that several years ago would have been hard to sell for $50 a square foot now easily fetches $250 and more.

Vibrant markets feature moderate to high price appreciation, enjoy a unique subculture, or possess physical attributes or entertainment centers that attract tourists as well as residents throughout their respective metropolitan areas. Vibrant markets are often, but not necessarily, upscale. Examples include Richmond's Carytown, an area of shops and restaurants that attracts people from all over the city and region. New York City's Astoria, another vibrant market, is one of the most ethnically diverse neighborhoods in the country. While by no means upscale, it is a thriving community packed with retail, restaurants, services, and affordable (compared with the rest of the city) housing. Finally, in Newark's Ironbound District, a Portuguese and Brazilian working-class neighborhood, housing prices now reach or even exceed the regional average for the New York metropolitan area. The Ironbound District shows that even an under-performing city can have a vibrant market.

Emerging markets perform below the national market average and have the longest road to reach their full potential. But if they do, the gains will be large. LeDroit Park in Washington, D.C., is an example of an emerging market whose many overlooked assets could be used to lure significant investment back into the neighborhood. The MacMillan Reservoir—a park designed by the famous landscape architect Frederick Law Olmsted, Jr.—borders the neighborhood but is now unused and in disrepair. LeDroit Park has an abundant stock of historic homes and is 10 minutes' drive from the National Mall. It is served by at least two subway stations and is within walking distance of

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Howard University, one of the most distinguished historically black universities in the country. This community, with its many assets and deep cultural resources, is a highly marketable resource for the city of Washington.

The Future of Cities

As the typology of cities outlined above demonstrates, each city has a unique role within a global, national, and regional context and each has its own distinct mix of markets. Each city's future depends on a complex set of influences related to its local, national, or global economic and social role. Much has been written about New York as a world center. But what about Baltimore, Newark, Albuquerque? All these cities play important roles in their individual markets. For each to achieve its full potential, however, policies and strategies should be considered in the context of its distinct attributes and circumstances. Building sports complexes or harbor places because other cities have them can be a costly mistake. An oversized sports stadium, for example, in a small regional city primarily filled with emerging markets could bankrupt the city. Financing attractions that require a national market in a city that serves only a unique local role could also be a disaster. Similarly, stripping away a regional city's older structures to build a downtown mall may forfeit its comparative advantage in historical look and feel. All cities should adopt strategies that reinforce their role in the economy and build on the distinctive markets that thrive within.

The market power of cities continues to be strong because of the unique role they play at all levels. The biggest cities (global and large national) possess core markets that are so large, dense, and diverse that even large suburban commercial clusters cannot generally replicate them. The infrastructure of the new high-tech economy also favors global and national cities. For example, "Points of Presence" (POPs), which provide high-volume access to the Internet, can theoretically go anywhere. But they tend to concentrate in places where business and population density is high because of cost savings associated with shorter distances between intensive users.

Smaller, or regional, cities also have their strengths. They are often more subtle and grow out of their uniqueness of place. The suburbs of Seattle and Minneapolis, or even Dallas, differ little from each other. North, south, east, and west, routine suburban development patterns with their accompanying strip commercial development and national franchise stores are much the same. By contrast, the cities of Seattle, Minneapolis, and Dallas differ from each other in many ways. Indeed, they are repositories of regional differences and vernacular culture. In a world of monotonous and lookalike suburbs, cities' uniqueness provides a valuable market signature. The mix of buildings, people, and culture are mostly nonreplicable by formula. Regional cities are therefore well positioned to benefit from the expanding "experience economy" of tourism, entertainment, and lifestyle consumption, which increasingly favors unique places and products over generic ones.

Supercharged markets, as the name implies, have obvious market potential. They maintain the advantage that cities have always held in the economy. Supercharged markets are information rich, and are at the leading edge of new lifestyle trends. Even more modest cities have their supercharged potential, especially those that maintain some quality—often a mixture of arts, architecture, and amenity—that distinguishes them as desirable places to live. Thus, the market power of Santa Fe and Charleston is assured.

Vibrant markets also have their edge, derived from their distinctiveness, in both population and environment, from the suburbs. As such, they represent a market niche that the suburbs cannot fill. Developers of suburban retail and master-planned communities are facing an increasingly difficult task of distinguishing their projects from every other similar-looking suburban development. This may be even more true of newer regions where virtually the entire built environment dates from the past several decades. This may explain why some older central cities have recently become so desirable. Vibrant markets often have a strong tourism and entertainment component. The shops and restaurants in these markets draw people from the suburbs and other regions.

The suburbs are not just generic—they are overbuilt. Therein lies the potential for emerging markets. Consider Anacostia in Washington, D.C., where more than 50,000 people are served by only two supermarkets. Understanding and meeting the needs and preferences of consumers in this market could result in a booming business for a grocery store that locates there. In a region where the suburbs are saturated, emerging markets offer enormous opportunity to the retail or housing pioneer.

The evolution of the American metropolis may provide additional support for central cities. Research by the Fannie Mae Foundation shows that growth within regions is no longer contained within central cities or even within edge cities. The new urban form is in many ways "edgeless," where vast patches of urban space contain all the elements of the city spread across open fields and woods. In this environment, core cities may emerge as the only real centers left in the region, providing a competitive advantage for functions that perform best when clustered.

Different Cities, Different Futures

The market has been quite efficient at sorting out the types of workplaces that need to be downtown and those that do not. Work processes that are highly innovative, require multiple, specialized inputs, and are considered high risk will continue to demand personal interaction with other firms and specialists. Higher-order, specialized employment will continue to gravitate to downtowns.

But no two downtowns (or neighborhoods, for that matter) are exactly alike. Using the typologies of city scale and markets can help policymakers identify more precisely the potential of each city and neighborhood. The future of all cities will not be the same, but by better understanding their individual strengths, we can help them achieve their most productive roles. ■

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The New Urban Demographics

by William H. Frey

RACE SPACE & BOOMER AGING

America's urban landscape is changing. The familiar distinctions between central cities and suburbs and between the growing Sunbelt and the more stagnant Frostbelt parts of the country are being complicated by new demographic trends, two in particular. The first trend is the sharp rise in immigration to the United States. Each year about one million people, predominantly Latin American and Asian in origin, arrive in the United States, most settling in urban areas. The second trend involves the baby-boomers. This large cohort of 76 million people—often termed "the pig in the python"—is now aging toward the tail of that python. Most boomers will not move but "age in place"—in the suburbs rather than in the city. Both these trends will have important effects on urban America.

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Beyond the "White-Black, City-Suburb" Typology

For much of the postwar period, discussions of race and space in urban America revolved around black migration to central cities and "white flight" to the suburbs. The new immigration that is infusing many urban areas with new residents from a variety of backgrounds suggests the need for a new way of thinking about the demographic profiles of cities and suburbs.

The impact of immigration is apparent from a glance at the central counties (those that contain a metropolitan area's central-city population) showing greatest population gains during 1990–99. The two largest gainers, Maricopa County, home of Phoenix, and Clark County, home of Las Vegas, achieved most of their gains from domestic migration—migrants from other parts of the United States. Yet each of the next five central counties with the greatest population gains—those of the Los Angeles, Houston, San Diego, Miami, and Dallas metropolitan areas—registered a net loss of domestic migrants. Their gains came entirely from international migration and natural increase. Were it not for immigration, the population of these areas, and of several other large central counties, would register far smaller growth or outright declines. Indeed, areas that do not attract nearly as many immigrants—the central counties of Philadelphia, Pittsburgh, St. Louis, Cleveland, and Buffalo, among others—lost population over the 1990s.

Because conventional city-suburb, black-white demographic profiles do not take adequate account of this new immigration, I offer a new typology of the nation's large metropolitan areas, those with populations greater than 1 million (see table 1).

The typology begins with a Multiethnic High Immigration category of 12 metropolitan areas with high immigration and a significant Asian or Hispanic presence. The largest of these areas are New York, Los Angeles, Chicago, Washington, D.C., and San Francisco. Four other categories cover areas that have a primarily black minority presence and those that are mostly white; and within each, those growing at a relatively high pace and those growing only modestly. These four categories are: White-Black Fast-Growing (for example, Atlanta), White-Black Slow-Growing (Detroit), Mostly White Fast-Growing (Las Vegas), and Mostly White Slow-Growing (Pittsburgh).

In metropolitan areas where white-black racial dynamics have been a historically important demographic dimension, the slow-growing areas tend to be in the Rustbelt (New Orleans being an exception), and the fast-growing areas are located in the Southeast, which has now begun to attract back significant numbers of African Americans. Mostly White Fast-Growing areas are located primarily in the West and Midwest (Orlando, Nashville, and West Palm Beach

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TABLE 1: Typology of Large Metropolitan Areas by Race-Ethnic and Growth Profiles

METROPOLITAN AREAS*
MULTIETHNIC HIGH IMMIGRATION
New York
Los Angeles
Chicago
Washington, D.C.
San Francisco
Dallas
Houston
Miami
San Diego
Sacramento
San Antonio
Austin
WHITE-BLACK FAST-GROWING
Atlanta
Norfolk
Charlotte
Greensboro
Raleigh
Memphis
Jacksonville
WHITE-BLACK SLOW-GROWING
Philadelphia
Detroit
Cleveland
St. Louis
New Orleans
MOSTLY WHITE FAST-GROWING
Seattle
Phoenix
Minneapolis-St. Paul
Denver
Tampa
Portland
Kansas City
Indianapolis
Orlando
Columbus
Las Vegas
Salt Lake City
Nashville
Grand Rapids
West Palm Beach
Oklahoma City
MOSTLY WHITE SLOW-GROWING
Boston
Pittsburgh
Cincinnati
Milwaukee
Buffalo
Hartford
Rochester
Louisville

Source: William H. Frey, based on analysis of U.S. Census sources.
*Metropolitan areas refer to CMSAs (Consolidated Metropolitan Statistical Areas), MSAs (Metropolitan Statistical Areas), and, in New England, NECMAs (New England County Metropolitan Areas) as defined by the Office of Management and Budget. The table includes all metropolitan areas with population greater than one million and lists them in descending order of population size.

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excepted). Mostly White Slow-Growing areas are located in the Northeast and Midwest (Louisville excepted).

Table 2 gives the composite racial profiles for cities and suburbs in each of these five categories. Multiethnic High Immigration areas clearly have the greatest diversity both in their cities and in their suburbs although the suburbs remain majority white. Among the White-Black categories, the slow-growing areas show a lesser tendency toward black suburbanization.

What these statistics show is that the conventional view of cities as being in decline and as having predominantly black populations fails to take into account recent changes in the urban scene. Today some of the nation's fastest-growing cities are gaining population from domestic migration and are mostly white. And several large multiethnic metropolitan areas house "majority minorities" in their cities and may soon do so in their suburbs as well.

The old "city-suburb" typology also fails to recognize heterogeneous growth patterns within the suburbs. Many inner and even middle suburbs are experiencing demographic dynamics similar to those of the cities. This is especially the case in some of the largest "melting pot" metropolitan areas. A look at the immigration and domestic migration dynamics for counties within the greater Los Angeles, San Francisco, and New York CMSAs (Consolidated Metropolitan Statistical Areas) shows that it is not just the inner counties whose gains are attributable solely to international migration. Of the 29 counties in the greater New York CMSA, fully 20 registered negative domestic migration during 1990–99 and achieved their only migration growth from immigration from abroad. The same goes for 4 of the 5 counties in the Los Angeles CMSA and for 7 of the 10 counties of the San Francisco CMSA.

The heterogeneity of suburbs was already apparent in 1990. Figure 1 compares the Los Angeles, Atlanta, and Detroit metropolitan areas. The racially diverse suburbs of Los Angeles, with their infusion of immigrants and new ethnic minorities, contrast with the suburbs of Atlanta, which show moderate racial heterogeneity, and those of slower-growing Detroit, where historical racial antagonisms keep the divide between city and suburbs fairly sharp.

Suburban growth patterns continue to favor the outer suburbs. Of the 30 counties that made the fastest gains via net domestic migration during 1990–99, most that are in metropolitan areas lie in the outer suburban reaches of fast-growing metropolitan areas such as Denver, Atlanta, Las Vegas, Dallas, and Houston. Even in the fast-growing, less dense portions of the country, an outer suburban residence remains popular.

Aging Boomers, Cities, and Suburbs

Since the baby-boom generation began entering grade school in the 1950s, it has been followed closely by marketers, policymakers, and political consultants. But the boomers' sharp disengagement from the residential aspects of city life seems to have escaped the notice of urban watchers.

The aging of the nation's first suburban generation will increase substantially the number of households in their 50s and early 60s over the next 10 years. Early boomers—born between 1945 and 1955—will be making the transition from empty-nesters to preretirees. Many will retire from regular jobs. Some will leave their suburban homes. But most will "age in place" or perhaps make a local move.

The late boomers—those born between 1955 and 1964—will still be in their prime career and prime earnings ages. Some will be looking to upgrade their housing, again in the same local area. They will have fewer children living at home than did earlier generations at the same age—and therefore more freedom in their location decisions.

Some observers have expressed the hope that these huge boomer generations might be a source for central-city revival. But the hope seems unrealistic, given the current location of this "suburban generation." With the exception of Hispanics, baby-boomers, now in the 35-54 age groups, are less likely to reside in the city than either today's elderly or adults now in their 20s and early 30s.

In fact, elderly growth patterns during the 1990s show that the "graying of the suburbs" is well under way. Of the 30 counties with fastest-gaining elderly populations over the 1990s, most are either in nonmetropolitan areas or in middle or outer suburban counties of fast-growing metropolitan areas. Much of this simply reflects the aging-in-place of

TABLE 2: Race-Ethnic Composition of U.S. Cities and Suburbs, by Size, Type, and Region, 1999

PERCENT OF RACE-ETHNIC GROUP

	CITY				SUBURB			
GROUP	**HISPANIC**	**WHITE**	**BLACK**	**ASIAN**	**HISPANIC**	**WHITE**	**BLACK**	**ASIAN**
More than 1 million population*								
Multiethnic High Immigration	30.2	36.6	23.1	9.9	18.3	64.8	9.7	6.8
White-Black Fast-Growing	2.8	45.2	48.9	2.8	3.9	76.7	16.7	2.5
White-Black Slow-Growing	4.0	40.7	52.8	2.6	2.1	86.6	8.9	1.8
Mostly White Fast-Growing	12.7	68.7	14.0	3.8	7.6	84.4	4.0	3.2
Mostly White Slow-Growing	6.6	64.4	27.5	1.3	1.9	92.1	3.6	2.3
Less than 1 million population	12.6	62.4	18.2	5.5	9.0	80.4	6.3	3.5

Source: William H. Frey analysis of 1999 Current Population Survey. Race categories (white, black, Asian) do not include Hispanic members of those race groups.

*Identified in table 1.

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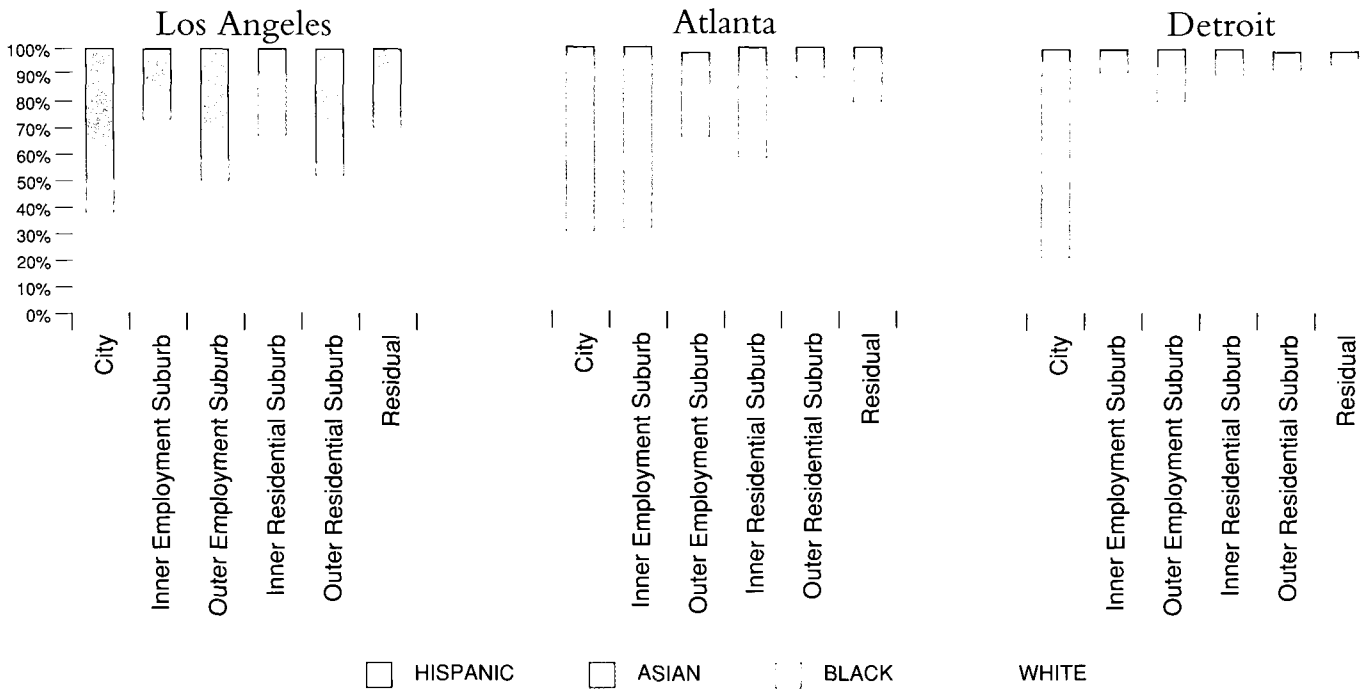
FIGURE 1: Race Profiles for City and Suburb Zones, Los Angeles, Atlanta, Detroit



Source: William H. Frey. Milken Institute

Note: Employment suburbs are those where more than 40 percent of resident workers work. Inner suburbs are those within 10 miles of the center of the major city.

elderly who have moved to these fast-growing metropolitan areas during their lifetimes.

The projected gains in elderly over the next 25 years will occur in the Mostly White Fast-Growing and White-Black Fast-Growing areas discussed earlier. While some of this growth will be attributable to retirement migration to high amenity areas of the Mountain West and South, most will result from the aging-in-place of boomers who relocated there during their working lives or at least before retirement.

This suggests somewhat different patterns of growth for the new immigrant minorities than for largely white or white and black baby-boomers. Much of the boomer growth and, hence, the projected elderly gains will be in the suburbs of major metropolitan areas and in regions of the country that are not capturing new immigrant minorities. Within metropolitan areas the better-off and healthy "yuppie elderly" will tend to locate on the periphery, and the more disadvantaged segments of the older population will reside closer in.

Central cities and inner suburbs in metropolitan regions that have suffered economic and demographic declines in recent decades will continue to house disproportionate numbers of the nation's disadvantaged elderly—older elderly people, widows and widowers, female-headed households, those with incomes below or near the poverty level and relatively high levels of disability. As they continue to age in place, they will pose special challenges for local institutions that are often the most financially strapped.

But although the aging of the baby-boomers will have different effects for cities and suburbs, dealing with the social services, health care, and transportation needs of a faster-growing senior population will prove a challenge to cities and suburbs alike.

New Forces at Work

The advent of new immigrants and the aging of the baby-boomers will surely complicate both urban and suburban race-ethnic and aging demographic dynamics.

The demographics of Los Angeles provide just one example of how the two countervailing trends could operate. As a result of the successive outmigration of whites, juxtaposed with the continued waves of immigration of new ethnic minorities, Los Angeles County's elderly population is still majority white, its working-aged population is only about one-third white, and its child population is predominantly Hispanic and other racial and ethnic groups. Reflecting their age, the growing racial and ethnic groups in Los Angeles will be concerned with issues of affordable housing, good schools, and neighborhoods conducive to the raising of children. And, reflecting their age, whites are likely to be more concerned with health and social support services for an aging dependent population. Whether the same kind of "racial generation gap" will occur in other melting pot metropolitan areas remains to be seen.

Whatever else the new urban population profiles show, the old models of dealing with cities and suburbs will need to be revised to adapt to new demographic forces in America today. ■

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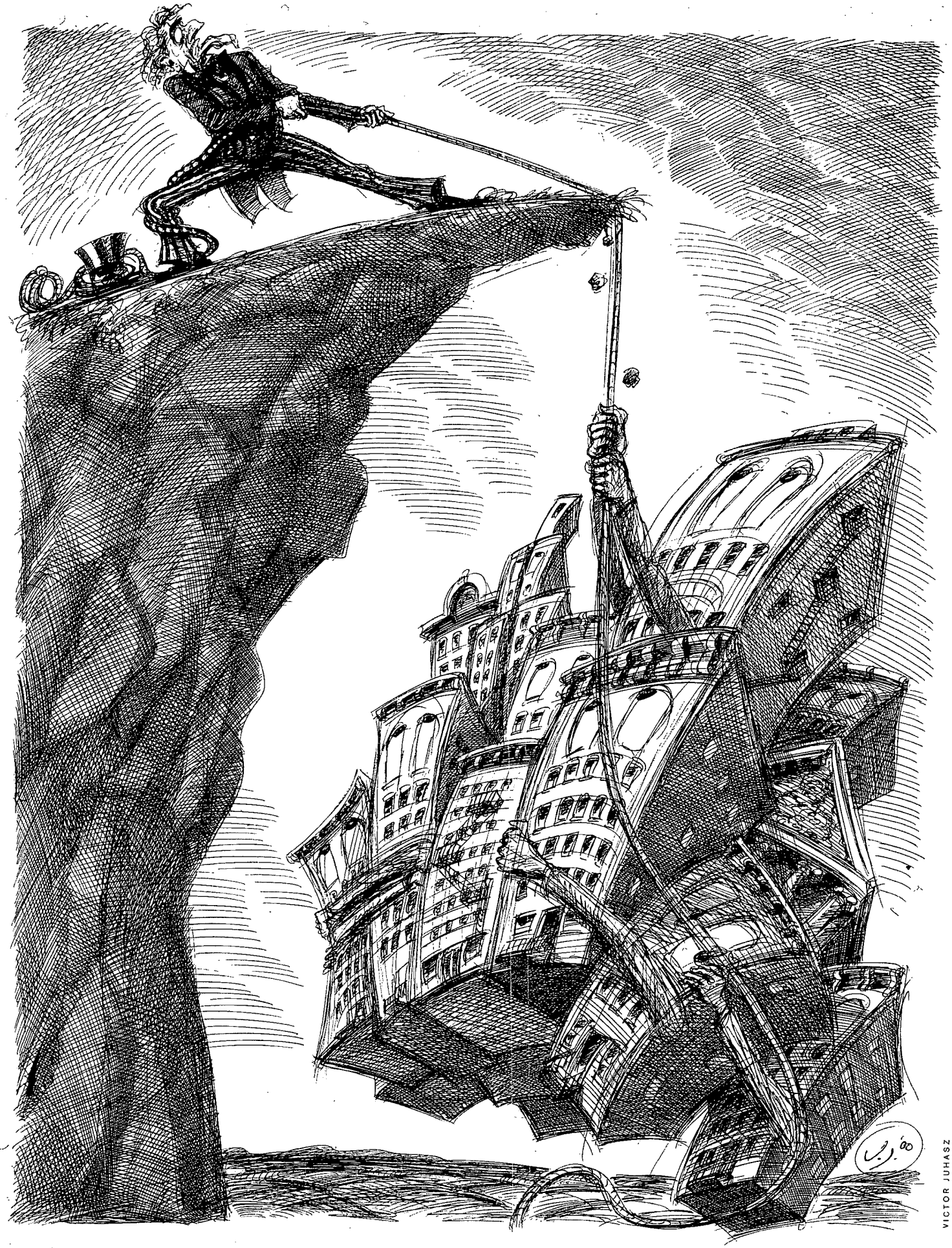

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Nothing Left to Lose

Only Radical Strategies Can Help America's Most Distressed CITIES

by Edward W. Hill and Jeremy Nowak

When we first started work on this article, we called it "Cities Forgotten by Their Regional Economies." But as we reflected more on the competitive position of distressed central cities, we realized that the title was wrong. Cities have not been forgotten by their regional economies; rather, all too often, the opposite has happened. Distressed central cities have not, or perhaps cannot, react to changes in their current competitive positions within their regional economies.

The urban employment renaissance of the 1990s has been largely confined to a few large central cities, bypassing many others and avoiding scores of formerly industrial small to mid-sized central cities. Our challenge is to understand why distressed central cities—such as Camden, New Jersey, or Detroit, Michigan—have had trouble adjusting to competitive realities and then to try to devise public policies that allow them to uncover their competitive advantages.

Our subject is not poverty; it is the competitive viability of distressed central cities. Cities can help relieve poverty only by creating opportunity. They will become places of opportunity only when their assets are competitive in their regional economies. And they can do this only by creating environments in which city assets are part of self-sustaining, self-organizing markets—housing markets, labor markets, and markets for business locations.

Federal, state, and local governments can help reconnect distressed central cities to their regional economies but only as long as there is sufficient political will to do so. The proposals we offer are so disruptive to the current state of redistributive local politics that we expect, initially, they will be adopted by cities only in response to a severe municipal fiscal crisis. Once the value of these proposals is demonstrated, competitive forces will lead more cities to cooperate with state and federal governments and reconfigure their economic environments.

We offer a four-part mechanism for reconnecting distressed central cities to their regional economies: long-term restructuring and lowering of municipal taxes; careful examination and strengthening of public administration and management; development of procedures and funding for the assembly of land and renewal of infrastructure; and expansion of the earned income tax credit to make work pay for low-income families.

Distressed cities cannot undertake these reforms on their own. They need both political and fiscal freedom to change the usual way city business is conducted. Meaningful reform will take place only with the aid of a powerful outside agent, working with a tough

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operating agreement, that will give local politicians someone else to blame for the necessary, painful restructuring. The federal government's major role is to make up for revenue shortfalls over a 10-year period as the city radically reduces its tax rates, creating an environment in which it can reestablish the value of its assets and assure a competitive future.

Thanks to the mid- to late 20th-century revolutions in transportation and communications, central cities are now just one of many competing jurisdictions that offer assets on the supply side of regional product markets. The days when cities could redistribute income are gone for all but a very few of the largest American cities—and even their ability to redistribute income is limited. Not only has the competitive position of America's cities eroded, but the deadweight of the institutional baggage from the past—political cultures and expectations, management practices and union contracts, and the politics of operating in the current federal system—inhibits or prohibits meaningful reform. If changes are not made to both the bundle of services provided and the taxes charged, city governments will continue to be managers of decline, their competitive position will continue to erode, and their regional economies will continue to bypass them.

The Needs of Distressed Cities: The Camden Case

Camden, New Jersey, once an industrial inner-ring suburb of Philadelphia, illustrates all too well the plight of a noncompetitive city. The reason for state and federal involvement in the affairs of these places is pragmatic. Higher-level governments are locked into a strategy of pouring money into the city coffers simply to keep basic municipal services functioning. There is no pretense of attempting to fix fundamental problems. Nor is there any way for the state and federal governments to withdraw their financial support without the city collapsing. Indeed, the higher-level governments have no exit strategy—they cannot get out using current tools because the assets of the city cannot revive in any meaningful way.

How bad off is Camden? Twelve percent of all its buildings have been abandoned; 40 percent of its adults have no high school diploma; 35 percent of households have incomes below the poverty level; and single mothers head 38 percent of the households. Camden is an economic failure. Its housing market has failed. Its residents are not vigorous participants in the regional labor market. Its tax roll cannot support its own municipal government. Outside of the waterfront, which has been taken over by the state, the county, and the Delaware River Port Authority, the city is not a viable site for business. Ideally the city would be disincorporated, but no unit of government will take the resulting pieces either through municipal annexation or as unincorporated territory.

Camden raises about $30 million a year in local taxes and other revenues toward its operating budget of $80 million. Each year, the state provides $50 million just to plug that budget deficit, leaving the city with no capital budget. This $50 million budget infusion from the state is equivalent to the annual payments on a $714 million non-reducing bond issue. That means that nearly three-quarters of a billion dollars of the state's wealth is tied up in municipal life-support—a flow of funds that just maintains the current incompetent level of municipal services.

Camden's constant struggle to raise money keeps housing values extremely low. In Camden the typical price for a row home is $20,000 to $45,000 (in a metropolitan market where the median house sells for $120,000). Over the 1990s, a church-sponsored community development corporation (CDC) in one Camden neighborhood made an all-out effort to revive its 1,200-house community. It purchased, rehabilitated, and sold 100 abandoned row houses, raising the average house value in the neighborhood from $20,000 to $45,000; increasing the total capitalized value of the neighborhood from $24 million to $54 million. Regrettably, even these heroic efforts are not enough to revitalize the neighborhood because city hall is a prominent countervailing force.

The impact of capitalized local tax values was clearly demonstrated in 1999. The city reassessed all the properties completed by the CDC over the previous four years. The original tax bill of $1,500 (3.3 percent of market value) on the typical row house increased to $2,200 (5.0 percent of market value). Assuming a 7 percent discount rate, the market value of the properties decreased by $10,000 because of the $700 increase in property taxes.

There are limits to what a CDC can accomplish. It cannot provide basic services or replace local government. The words of the CDC director forcefully bring the point home: "The municipality is absolutely necessary to the long-term health of this neighborhood and it is absolutely absent. We ultimately cannot do the streets, and we need them done. We cannot do the sewers, and we need them done. We cannot reduce taxation, and we need it done. And we cannot reduce drug trafficking, and we need it done. . . ."

Like all distressed cities, Camden suffers from a conflict in goals. The goals of creating opportunity and building assets, of preserving financial values in neighborhoods, and of promoting social mobility and wealth-building among neighborhood residents run squarely against the goals of city hall—meeting payroll, preserving the politics of public employment, and fending off default. While Camden's condition may be extreme, it is not unique. Scores of central cities in the nation have no hope for a competitive future under current urban public policies.

Policy Reform

Reconnecting distressed central cities to their regional economies is possible, but it requires immense political will. Together, federal, state, and city governments can craft a package of reforms that could immediately benefit severely distressed urban municipalities. The reform package would create an economic environment that supports private-sector productivity and, through productivity enhancement, creates jobs. It requires a combination of tax cuts, public-sector managerial reforms, a new

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package of financing for land assembly, and an expansion of the earned income tax credit.

The effort must be led and coordinated by the domestic equivalent of the International Monetary Fund, be it a part of the Department of the Treasury or an independent agency. Wherever it is located, the agency must be able to execute a rigorous operating agreement with the participating city and its state government. The agreement must have clear sanctions, including an end to federal participation in the city's fiscal reorganization if the city or state does not fulfill its commitments.

Step One: Reforming the Tax Structure

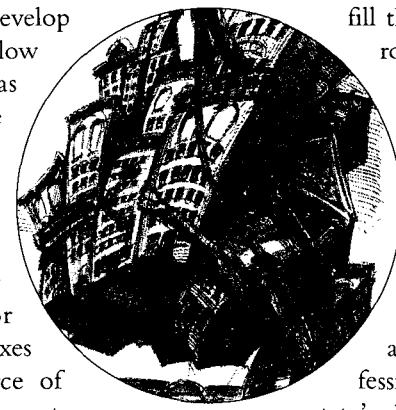
The rescue effort begins with radical municipal tax reform, with the federal government making up for revenue shortfalls for 10 years. That 10-year window gives tax reform a chance to succeed and gives the private sector a chance to grow. It also allows the city to make staffing reforms without having to ask public employees to bear the entire burden of reconnecting the city to its regional economy.

Real estate developers and businesses will not respond immediately to tax reform, even if tax rates are radically lowered. Time is needed to assemble, clear, and retitle an inventory of marketable land. Business will need time to understand, and believe, the changes that are taking place—especially in the way the city is administered. The increase in local tax revenue triggered by the full package of reforms is not likely to be evident for three to five years.

As a first step, cities should abolish all business taxes that inhibit the location of startup firms or discourage investment in productivity-enhancing equipment or practices, including all forms of gross receipts or turnover and net profits taxes. Cities should also replace the business property tax with a tax on the market value of land, coupling the land tax with the broader use of business improvement districts or tax increment finance districts to pay for major infrastructure investments. Land taxes, which may initially be extraordinarily low, even zero, in some especially distressed neighborhoods, have several advantages over property taxes in keeping a city's economy competitive. They discourage speculative land banking. They encourage businesses to place as much capital on property as is economically justifiable because non-land forms of real property are not taxed. They strongly encourage city government practices that preserve the value of land. And, finally, they are a powerful incentive to maintain properties.

Local personal taxes commonly take three forms: sales taxes, wage or income taxes, and property taxes, the latter being the most common. A residential property tax has two components—a land tax and a tax on the value of the structure. The land component of the residential property tax should be assessed on an equal basis with the business land tax, again providing incentives to develop in neighborhoods with low land values, as well as preventing speculative land banking.

Together, federal, state, and city governments can craft a package of reforms that could immediately benefit severely distressed urban municipalities.



Not many central cities are allowed to assess resident and nonresident wage or income taxes, but for those that can, these taxes are an important source of municipal income. Wage taxes enable cities to receive revenue for services provided to nonresident workers. They should not, however, be raised to uncompetitive levels, and they should not be assessed on capital gains or stock options. Either could drive businesses and wealthier individuals from the city.

Step Two: Reforming Public Administration

A management improvement task force should review city operations to learn which municipal products and services are genuinely necessary. The task force should also compare overall city staffing levels with those of other, similar-sized cities. Not all struggling cities have too many workers. For many, the problem is that the work force is too small and, after years of fiscal bloodletting and of instability and penury, lacking in competent senior-level management. All distressed cities have dispirited, ineffective work forces reflecting years of neglect in training, capital, and leadership. Dynamic, competent mayors who can attract talented staffs can make great differences in the performance of and perceptions about a city. But alone, they have neither the financial resources nor the flexibility to hire enough people to turn around the performance of the city.

Once the task force identifies the managerial holes in the city's bureaucracy, the state must make a commitment to fill them. Because the environment in the municipal work force is often too risky to attract any but the most daring public professionals, the state may have to lend executives to the city for an extended period or allow newly hired professionals to move into the state's civil service system.

The task force should also analyze management practices, the capital equipment available to the work force, and the skills and training required to carry out tasks. Employees and their unions should be included in these reviews, for they know more about how their jobs are, and can be, performed than anyone else. Few workers want to come to work and do a terrible job.

Another administrative issue is possible public-sector corruption. Often, what appears to be corruption is incompetence—or the reaction to it—as people try to get around a dysfunctional bureaucracy. But corruption can be real

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and can result from the breakdown of fiscal controls and inattention to day-to-day management. The task force itself should address managerial breakdowns. A vigorous audit of the city's operations should deal with financial controls and corruption. Prosecutions, if required, should not drag on forever. Petty corruption should be handled administratively to allow the city's business to resume as quickly as possible.

Distressed cities have problems with the low level of human capital among their residents. Addressing that problem requires federal investments in training. But the money will largely be wasted if it is funneled through the dysfunctional municipal bureaucracies that typify distressed cities. Does anyone seriously believe that the administration of former District of Columbia Mayor Marion Barry could deliver a quality work force training program with a low-rent patronage system of government?

Step Three: Assembling Land and Renewing Infrastructure

Distressed cities have collections of abandoned land that are liabilities, while newer suburbs have inventories of vacant land that are assets. To regain their competitiveness with outlying areas, which have only to clear and develop former farmlands, cities need to take title to abandoned urban properties and clear and assemble them into marketable parcels—and do so without lengthy and expensive court procedures.

It is difficult to find "typical" numbers on the cost of acquiring and clearing urban land. In a number of sites in two places, MidTown Corridor in Cleveland, Ohio, and an industrial redevelopment area in the city of Euclid, Ohio, the recent cost of acquiring and clearing an acre of land ranged from $200,000 to $300,000, while the cost of developing former farmland on the edge of the metropolitan area ranged from $25,000 to $50,000 an acre. The $150,000 to $275,000 cost differential represents the difference in annualized profits at a 15 percent rate of return of $22,500 to $41,250 an acre, not including other operating cost differentials that may favor the suburban site, such as insurance. There is also the question of offsetting subsidies: greenfield sites routinely receive some sort of heavily discounted subsidy for infrastructure such as gas, water, roads, and highway access, while inner-city sites typically receive loan financing, if anything. From the viewpoint of the economy we need to ask if the city site represents at least $22,500 in net social benefit. From a private financial perspective, the answer is often "no."

The undertaking will be expensive (but it is not clear if it is more expensive than the current ineffective approach to urban renewal). The Department of Housing and Urban Development is in a position to help fund the land assembly program. The Economic Development Administration has long-standing institutional expertise in infrastructure investment. Because recycling urban land entails many environmental problems, the Environmental Protection Agency should develop land reuse standards, devise protection from legal liability for reusing land, and provide demonstration funds to finance the cleanup. EPA can also help cities maintain, upgrade, and replace basic sewer and water infrastructure. The Department of Transportation can help reconnect cities to the highway system. In all cases, the county and state should also commit funds. Finally, a legal task force at the state level should accelerate the legal process of land taking and assembly.

The cities themselves should devote all, or nearly all, of their Community Development Block Grant funds to physically renewing their neighborhoods. State government should match funds invested by the cities in rebuilding neighborhood infrastructure.

Federal and state funding to recycle abandoned urban land, along with the federal 10-year guarantee of municipal finances, is a powerful incentive for cities to embark on economic and political renewal.

Step Four: Making Work Pay

Key to any city's opportunity agenda is the ability to make work pay. Cities that agree to participate in our dramatic reform proposals can make work pay without interfering with market-based wage-setting mechanisms by expanding the earned income tax credit (EITC) for low-wage workers within their borders.

Crediting both the employer and employee portions of the federal Social Security taxes and paying the credit to adult low-wage earners on a sliding scale similar to that used for the current EITC can go a long way toward making work pay. The Social Security accounts of low-wage earners in a reforming city can be credited for these earnings either by using money from the federal government's general fund or by increasing the upper income limit on the Social Security tax and redistributing these funds to the accounts of the low-wage earners. States and cities should also help make work pay for low-income workers by creating state and local EITCs, where state and local wage and income taxes are credited for low-wage-earning adults.

Toward a 10-Year Experiment

We offer this proposal as the basis for a voluntary experiment with a new partnership between city, state, and federal governments. Fixing the real competitive disadvantages of distressed cities—outdated tax structures, broken political cultures, uncompetitive staffing levels, vacant and abandoned land, and an inappropriate array of public services—requires the radical experimentation and state and federal support described above. Cities cannot address their competitive disadvantages on their own. State and federal governments have to become partners with them in reform. That partnership cannot be based on old entitlement and categorical models of federal and state aid or on new lines of leaky buckets carrying federal funds through the corridors of statehouses to the desks of big-city mayors. These proposals involve some degree of risk and an enormous amount of change in inter- and intra-governmental relationships. But for many cities, there is very little left to lose. ■

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by Paul Hill

Helping Hands

Cities Need Capacity for Education Reform

DAVID CHEN

mericans have reason to worry about the children being educated in the nation's big-city public school systems. Urban minority students who enter first grade at the national average of readiness to learn fall farther behind the longer they are in school. By age 17, average test scores for African-American students, most of whom are educated in city schools, are no higher than national average scores for white 13-year-olds. Only half the African-American children who enter big-city high schools stay through graduation four years later. Minority students

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educated in city public schools are less than half as likely as similar students educated elsewhere to enter four-year colleges.

In many cities these worries have led to drastic action. Mayors or state governments have taken over public school systems in Baltimore, Boston, Cleveland, Chicago, Detroit, the District of Columbia, and Trenton, among other cities. Fresh takeovers are now contemplated for Oakland, Hartford, and Kansas City. In Milwaukee, Mayor Norquist has not taken over the schools but is leading an effort to create options for children, supporting vouchers for private education and creation of new public charter schools.

Mayoral and state takeovers are desperate moves, but they do not automatically improve school quality. Everything depends on what the people who take over do and how educators respond.

To this point virtually all takeovers—with the possible exceptions of those in Boston, where progress is slow but ongoing, and in Cleveland, where change is still taking shape—have been doomed by the same two deficits that sunk the school systems in the first place. The first deficit is in strategy. No city has thought through all the changes that must take place before a chronically low-performing school system can come to operate at a consistently high standard. The second deficit is in the capacity of many cities to provide the human and organizational resources and traditions of leadership normally required to transform a major civic enterprise.

The Strategy Deficit and How to Fill It

Several "name brand" reforms—teacher retraining, student performance standards, new school designs, decentralization, chartering, contracting-out, and vouchers—have been offered as solutions to the problem of big-city public education. But though each plausibly addresses part of the problem, none can do all a failed school system needs, and each is based in part on wishful thinking. Some reforms assume schools can be improved without strong performance incentives for teachers, administrators, and students. Others do nothing to change the rules that prevent schools from improving—rules that dictate whom they may hire, who may be assigned what work, how teachers and students use time, and which teachers may help which students. Still others assume that failing schools can improve without new investments to attract and train abler teachers and principals.

Cities need to create hybrid strategies drawn from the strong parts of the various reform proposals, rather than relying on any single one of them. To provide concrete examples of reform strategies that combine the strengths and avoid the weaknesses of the individual "name brand" proposals, Brookings studied six cities—Boston, Memphis, New York City District #2, San Antonio, San Francisco, and Seattle—all trying promising hybrid strategies.

It Takes a City, the new Brookings book that grew out of that study, shows how the good ideas attempted in these six cities can be combined into three potent reform strategies. Under the first combined strategy, a CEO-style superintendent manages a portfolio of strong, distinctive schools that are government-run but held strictly accountable for performance, with failed schools disbanded and replaced by new groups of teachers and administrators. Under the second strategy, a superintendent and school board create a diverse system of public schools by entering performance contracts with independent organizations—groups of teachers and parents, teacher cooperatives and unions, nonprofit human service organizations, colleges and universities, civic groups, and for-profit contractors. The third strategy is to apply all the educational resources of a metropolis to educating all children, encouraging colleges, universities, museums, and libraries to sponsor schools and promoting family choice to put all existing public and private schools under competitive pressure to improve.

The strategies provide strong incentives for school performance: schools that do not educate their students can face competition or be closed and replaced. The strategies also create channels for new investment, by the superintendent-CEO in the first and by the nonprofit and private sectors in the second and third. Finally, they create freedom of action for schools, giving them real dollar-per-pupil funding and eliminating rule compliance, with performance as the basis of accountability.

Capacity: The Limits of Strategy

These strategies are promising, and we are optimistic that some cities may try one or another of them soon. But a strategy, however brilliant, that exists in the minds of an isolated small group of people has little impact. It must lead to action, consistently and for a long time. In four of the six cities we studied, promising strategies were abandoned—and not replaced with a well-defined alternative—within two years of our starting to study it. In these cities and many others, no strategy has lasted long before a major part of it was crippled or abandoned altogether.

Brookings is trying to recover the black boxes from these crashed reform strategies and identify the most important causes of failure. What we are finding is that pro-reform city leaders were stymied by an absence of capacity—they lacked four important kinds of resources. The first is financial capacity—and by that I mean not simply the ability to maintain the annual per-pupil public spending to run a school program, but the ability to draw private and public funds for investment in changing the basic quality of schools (for example, by purchasing equipment and recruiting and training capable teachers and administrators). The second is managerial capacity, the ability to mobilize private- and public-sector expertise in financial, performance, and human resource management. The third is intellectual capacity, the availability of powerful cultural institutions that can assist or operate schools and of large numbers of educated adults from whom new teachers and administrators might be drawn. The last is political capacity, local traditions of civic leadership and private-sector collaboration to improve the city's institutions and infrastructure.

In some cities, these capacities were

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TABLE 1: Key Elements of a City's Capacity for School Reform

TYPE OF CAPACITY	HIGH	LOW
Financial	Major foundations and business philanthropies willing to support capacity development	Small or weak philanthropic sector
Managerial	National business headquarters Business schools Competent city government	No major business headquarters No business schools Low-performing city government
Intellectual	Educated teaching force Many educated adults outside the schools Major universities and research organizations Vibrant museums, orchestras, jazz and dance organizations, libraries	*Poorly educated teaching force* Few educated adults outside the school system No major universities or research organizations Weak or nonexistent cultural institutions
Political	Engaged civic elite Strong minority leadership Absence of stark ideological or racial polarization Media capable of focusing attention on school needs Tradition of effective engagement with city problems	Civic elite detached or departed No widely influential minority leaders Deep partisan or racial division Inattentive media

present but not mobilized. But in others, they were in scarce supply, making it extremely hard to mount effective strategies, even if local leaders and educators could agree on what had to be done. Figure 1 gives a more detailed view of what is available in high- and low-capacity cities.

Other elements of capacity would almost certainly include the status of the local private school system, which can provide options for children in failed schools, attract teachers, keep middle-class people in the city, and become a source of assistance for a public school system that wants to use it. A city's teachers' union, if it is willing to lead teachers to a new vision of education that can work for both teachers and students, can also be an element of capacity.

Some might be surprised that attentive media are a key element of capacity. But media attention, like that in Cleveland and Chicago, can keep citizens focused on reform and track the progress of initiatives. In smaller cities, especially those in larger media markets, the focus tends to be on events in the major metropolis rather than on local school reform efforts.

Though their school systems can perform as badly and resist change as strongly as those in larger cities, suburbs and satellite cities—for example, Dayton, Gary, East St. Louis, Compton, or Tukwila near Seattle, and several New Jersey suburbs of New York City—have trouble drawing attention. Foundations and businesses often find that tackling the problems of the central city brings more prestige and satisfaction than does virtually anonymous work with more obscure places that also serve poor populations and may need even more help.

Options for Cities with Low Capacity

Cities like Chicago, Cincinnati, Seattle, Dallas, and Cleveland have many of the assets one would expect to be needed for a fundamental effort to increase school quality. They have businesses and foundations able to pay the one-time costs of major investments in schools, national headquarters of businesses and consulting firms with enormous management capacity, traditions of sustained private- and public-sector collaboration on civic improvement, and many powerful cultural institutions buttressed by large numbers of educated adults.

For such richly endowed cities (and others like Denver and Indianapolis that might lack one major resource but have others in abundance), school improvement is possible if the community can unite behind a reform strategy and overcome political and bureaucratic inertia. Though no city is using all its resources for education, and most have dysfunctional school system bureaucracies, much can be done.

Many cities, however, lack important capacities for extra effort. A high proportion of their college-educated adults already work in the school system. Strong cultural institutions are few, as are strong businesses with traditions of civic involvement. Ideological and racial barriers may also be hard to bridge.

Such cities may be able to improve schools somewhat without new resources, but their strategy options are limited. In many cases, someone on the outside needs to create an occasion for local leaders to convene around what can be done for the schools, possibly by threatening to take the schools out of local hands if nothing is done. Financial resources from the outside are necessary, in the form of grants to pay the one-time costs of upgrading school services, equipment, data, and teacher training. Outside resources are also needed to widen the net of teacher recruitment and to provide management for non-functioning schools that have stubbornly resisted improvement.

Some low-resource cities have already benefited from external pressures and resources. State takeover threats have stimulated local organizing efforts in Detroit and San Antonio. "Adoptions" by national foundations (for example, the Chicago-based Joyce

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Foundation's sponsorship of major reforms in Milwaukee) have made possible initiatives that could not be financed out of local funds. Cities like San Antonio and Memphis have imported expertise, in the form of assistance from the New American Schools, based in Arlington, Virginia, for individual schools. Cities like Oakland and Wichita are trying to import intellectual resources by hiring Edison, a for-profit school provider, to operate some of their schools. Many cities are relying on Teach for America, a national alternative certification program for teachers, to help fill teacher shortages. In the early 1990s Charlotte conducted a major recruiting campaign for experienced teachers and principals from other states. Wealthy individuals are also providing vouchers to help city children escape failed schools, and some are now planning to create new private schools to ensure that every child who gets a voucher can also find a school.

All these actions raise issues about local control. Using foundation funds to redesign schools and private-sector firms to run schools also upsets those who want to maintain a bright line between public and private resources. Because of these concerns, businesses, philanthropies, and local foundations often prefer to patch the existing system rather than make fundamental reforms. Moreover, the actors that could make a difference for low-capacity cities—the state and federal governments—have done relatively little. Though Ohio, New Jersey, Connecticut, California, and Michigan have formally taken over failed school systems, in practice many of these initiatives have amounted to little more than replacing a locally chosen superintendent with one designated by the state. States have seldom forced local leaders to come up with comprehensive reform strategies, and none has created bold new investment programs for troubled cities.

The federal government has also ducked the problems of individual cities. Beyond former Education Secretary William Bennett's designation of Chicago's as the worst school system in the nation, the federal government has acted as if its repertoire of formula-based funding programs, which provide far more support for routine operations than for investment, should be enough.

Government leaders at all levels hesitate to get involved. They are reluctant to acknowledge that some communities are not educationally self-sufficient and to cause an uproar when teachers and service providers from outside the city get dollars and jobs that might have gone to city residents. But leaders who are dedicated to educating the public's children must be prepared to take risks, accept experiments, track results, and abandon long-established arrangements that do not work.

Washington can help city leaders forge new compacts to strengthen public education. The president could call a series of small White House conferences to bring the government and private leaders of big cities together, one city at a time, to hammer out new ways to use all a city's assets to educate its children. The meetings can also include national foundations and bring in the secretary of education, prepared to reallocate federal funds and waive regulations that might get in the way of cities' initiatives.

The actors that could make a difference for low-capacity cities—the state and federal governments—have done relatively little.

Governors could perform a similar function, convening leaders from cities with troubled school systems, possibly while raising the threat of a state takeover. Governors could use their access to the president and congressional leaders to get waivers of federal rules that interfere with a city's reform strategy. In addition, states can create financial incentives for qualified people to teach in the city and sponsor new training and certification programs that welcome mid-career individuals interested in working in schools. Governors could also encourage interfaith coalitions to use their educational expertise to create new nonsectarian public schools, possibly by chartering.

Do these strategies break down the public-private distinction and even skirt the edges of controversy over church-state issues? Yes, they do. But federal, state, city, and philanthropic leaders have to think first about what they can do for children, especially in cities where the conventional public sector has failed to provide effective schools. The alternative, letting children's education be held hostage to partisan, ideological, and employment issues, is unacceptable. ■

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The Bottom Line & Beyond

Financial Plans Guided Philadelphia and New Haven to Recovery

by Scott Quehl

In 1992, Philadelphia had no cash to pay its bills. The city faced a $200 million deficit in a $2.4 billion budget, its credit rating had been reduced to "junk bond" status, and its suppliers had long gone unpaid. Philadelphia was deferring investments in infrastructure to fund day-to-day operations. One-time remedies to plug ever-expanding holes in the city's budget were used up. Immediate triage was needed simply to stabilize the government's operations.

Some 175 miles away, New Haven was in similar straits. Its general fund had had a deficit for four years in a row, and its credit rating stood one level above junk bond status. The city's budget imbalances and economic outlook kept New Haven from borrowing from capital markets at reasonable interest rates. A cash shortfall was delaying vendor payments, and assets that were supposed to be self-supporting were draining general fund dollars.

By 1999, Philadelphia had a budget surplus of $205.7 million. Fitch IBCA rated the city's credit at a solid BBB+. That same year New Haven had a surplus of more than $17 million and credit ratings of BBB+/A(3). Both cities had invested in infrastructure, expanded services, and cut taxes.

How did it happen?

Three Steps to Financial Recovery

The recovery of both Philadelphia and New Haven began with a strategic financial and management plan. The plan defined the size and causes of the fiscal problem, set recovery goals, and identified specific solutions, while establishing each city's credibility and taking the policy initiative.

Scott Quehl is a senior managing consultant at Public Financial Management, Inc., which supported Philadelphia and New Haven, as well as the District of Columbia, in developing their financial recovery plans. During 1995–97 he served in the U.S. Office of Management and Budget, supporting federal efforts to promote the District of Columbia's fiscal recovery. He was also chief financial officer for the District's Metropolitan Police Department during its 1997–98 management transition.

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Philadelphia Work Force Initiatives

Following its financial plan, Philadelphia successfully achieved a number of work force initiatives, including:

- reforming its employee disability system to end payments in excess of pre-injury pay, reduce fraud, and make the city a safer place to work. Philadelphia also reduced injury leave by 77 percent through new safety programs and medical systems that encouraged employees to return to work more quickly. Medical costs dropped from $18.3 million to $6.7 million in just three years. The number of disability pensions associated with workplace injury fell from more than 200 a year to fewer than 50 a year. Through a comprehensive risk management program, projected annual workers' compensation expenditures of $73 million a year were cut to $22 million a year.
- restructuring the funding for its employee health plan, while still requiring no employee contributions for premiums.
- agreeing to bring compensation growth more in line with city revenue, inflation growth, and regional averages by avoiding general wage increases for the first two years, then increasing base salaries 2-4 percent, as the city's financial health improved.
- lowering overtime costs associated with reducing city holidays from 14 to 10 and sick days for future hires from 20 to 15. The city added back a holiday after producing recurring surpluses.
- ending restrictive work rules on job descriptions, scheduling, and contracting out, while establishing management rights contract clauses for the first time.

Next, leaders in both cities cut costs and increased non-tax revenue according to strategies laid out in their respective financial plans. They saved millions of dollars through improved revenue collection. They opened certain services to competition with private providers. They put in place work force initiatives that brought costs in line with revenues while maintaining fair compensation. And they managed their debt, cash, and risk more effectively.

Finally, city leaders focused on strengthening their cities' competitiveness to stimulate their economies. Rather than raising tax rates and cutting services—measures that can balance budgets in the short term but ultimately erode a city's underlying economic base—they took advantage of fiscal stability to reduce taxes and improve basic services, as well as pursuing well-targeted development projects in areas of comparative advantage, such as culture and entertainment.

Strategic Financial Planning

Both Philadelphia and New Haven began their recovery with five-year strategic financial plans. Words like budget, financial plan, and audited financial statement typically lack inspirational punch. But both cities translated these words into tools to build credibility and point the way to results. They used conservative assumptions to project the gap between the budget deficits that would result if trends continued unchanged and the fiscal target set for each year in their financial plans—a target consisting of budgetary balance, funding for capital improvements and key services, and tax cuts.

Effective management can take a city only so far.

In Philadelphia, city leaders captured people's attention by showing that unless the financial plan were adopted, budget deficits would grow from more than $80 million a year in 1991 to more than $300 million a year by 1996. The result of the accumulated $1.4 billion deficit would have been bankruptcy. Mayor Ed Rendell took a firm stand against tax increases or cuts in services. A quarter of Philadelphia's population had already disappeared over the past 40 years. Nineteen tax increases between 1981 and 1992 had made Philadelphians the most heavily taxed residents of any major city in America. Crime was considered high, schools poor, and basic services no longer working.

In New Haven, Mayor John DeStefano's strategic financial plan focused on eliminating the structural budget deficit while strengthening schools. The plan also emphasized stimulating economic growth through tax reductions, revitalizing neighborhoods, and promoting the city's role as a regional center for arts and entertainment. Like Philadelphia, New Haven had lost large shares of its businesses and people. Infrastructure was crumbling. Tax rates were among the highest in the state.

Without the chief executive's dogged commitment to implement it, a fiscal recovery plan is little more than a report that gathers dust on bookshelves. Once Philadelphia's first five-year plan had been published, the mayor made it plain that results were expected. Every quarter, departments had to report to the mayor's office and to the public on the progress of implementation. At the end of the plan's first year, the city published a second plan in parallel with its budget, describing where the city stood, what had been accomplished as against what had been expected, and what would be done next. Philadelphia has produced nine such plans in nine years, including one for fiscal 2000.

Cutting Costs and Increasing Non-Tax Revenues

Many things in government cost more than they should—over time, hundreds of millions of dollars more. For every excessive cost or dollar forgone, there is a reason. As happened in Philadelphia, the priority given to high-profile capital projects can reduce investment in tax collection systems to the point that tax payment records are kept on 3" x 5" index cards. Or as was the case at one municipal airport, piecemeal development of a city's job classification system can require three employees to change a light bulb.

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Both Philadelphia and New Haven included new strategies to address these issues in their strategic financial plans. By the end of the fifth year, Philadelphia had accumulated $1.2 billion in non–work force savings. In its first plan, Philadelphia used competitive contracting to trim $27 million in costs from its operating budget for tasks ranging from cleaning city hall to managing nursing homes. The city also opened city responsibilities up to outside competition. City leaders invited employees to propose how they would carry out those responsibilities and then convened a committee to weigh employee proposals against those from private firms. The committee selected commercial vendors 46 times and retained services in-house 4 times. The 1,000 employees who lost their old jobs as a result were given first hiring preference for new ones, usually with comparable compensation.

Though leaders in Philadelphia and New Haven stressed non–work force cost-saving initiatives, they could not ignore work force costs, which typically account for 60–70 percent of a city's discretionary spending. The year before Philadelphia's near fiscal collapse in 1992, per-employee costs had jumped 8.3 percent, compared with an inflation rate of 3.5 percent. In earlier decades, Philadelphia had resorted to sweeping layoffs to bring personnel costs within its means. As part of the five-year plan, however, the city took a more targeted approach to its collective bargaining strategy, aiming to preserve jobs and provide competitive compensation and time off, within the city's fiscal means. As detailed in the box on page 32, Philadelphia was able to avoid more than $590 million in personnel costs over the first five years of recovery—a projected $184 million in fiscal 2000 alone.

New Haven used innovative tax collection, debt management, and privatization to expand investments in services and cut costs. Many of these initiatives are summarized in the box on this page. New Haven's work force strategy reduced the rate of salary increases from 4.5 percent at beginning of the DeStefano administration's term to 1.6 percent through 1997. The city and labor agreed to shift municipal employees from traditional indemnity health benefit programs to a managed care health benefit system, avoiding about $49 million in projected spending. As the city's fiscal prospects improved, the four-year agreements signed in fiscal 1997 averaged wage increases of 2–3 percent a year.

Beyond the Bottom Line

Effective management is a key component of financial stability, but it can take a city only so far. For fiscal recovery to be sustained, the city's economy should grow. Fiscal stability is one condition for economic growth. Another is a mix of services, amenities, taxes, and regulations that provides enough value that residents and businesses decide to stay, to come, and to invest.

For fiscal recovery to be sustained, a city's economy must grow.

Philadelphia cut its wage and business privilege taxes in 1995 and has continued reductions through fiscal 2000, saving taxpayers $315 million, even as taxes in surrounding suburbs have inched higher. The city expanded library and after-school reading programs. It more than doubled its homeless housing units, invested tens of millions in park and street improvements, and added nearly 1,000 officers to its police force. Its economic stimulus investments reached $6.5 billion in January 2000.

New Haven has cut property taxes since 1996, so that its rates are now comparable to those of many surrounding communities. The city is also redesigning its regulatory system to streamline administration, while cutting paperwork and fees for its businesses. Services are showing much improvement. Crime has been cut in half since 1992. New Haven has invested $489 million in 20 new schools. The number of school dropouts is down, and test scores are reported up across the board.

New Haven and Philadelphia have reached beyond the bottom line to strengthen economic competitiveness and improve services to give people better chances at improving their lives. ■

New Haven Initiatives

Following its financial plan, New Haven took many initiatives, including:

- ▢ increasing tax collections from 86 percent of what was owed in 1995 to 94 percent in 1999 through a new tax collection information system, and outsourcing certain collection functions—bringing in an additional $10 million in 1999.
- ▢ using proceeds from tax lien sales to match state school construction funding, resulting in $100 million for schools without affecting the general fund.
- ▢ using bond proceeds to eliminate the city's liability for police and firefighter heart and hypertension disability, saving an estimated $7 million.
- ▢ contracting out the Water Pollution Control Authority, saving the city facility maintenance costs and saving ratepayers an estimated $53 million over 15 years.
- ▢ outsourcing the city golf course and ice skating facilities. The city no longer provides operating subsidies, and services are improved.
- ▢ outsourcing workers' compensation claims, expected to save the city about $6 million over the life of the claims.
- ▢ outsourcing day-to-day operations of the Tweed–New Haven Airport and the city's solid waste transfer station.
- ▢ outsourcing school lunch service ($1 million savings) and maintenance of 31 school facilities, with contract costs paid out of estimated utility savings of $8 million.
- ▢ refunding outstanding debt, saving $3 million over the life of the bonds.

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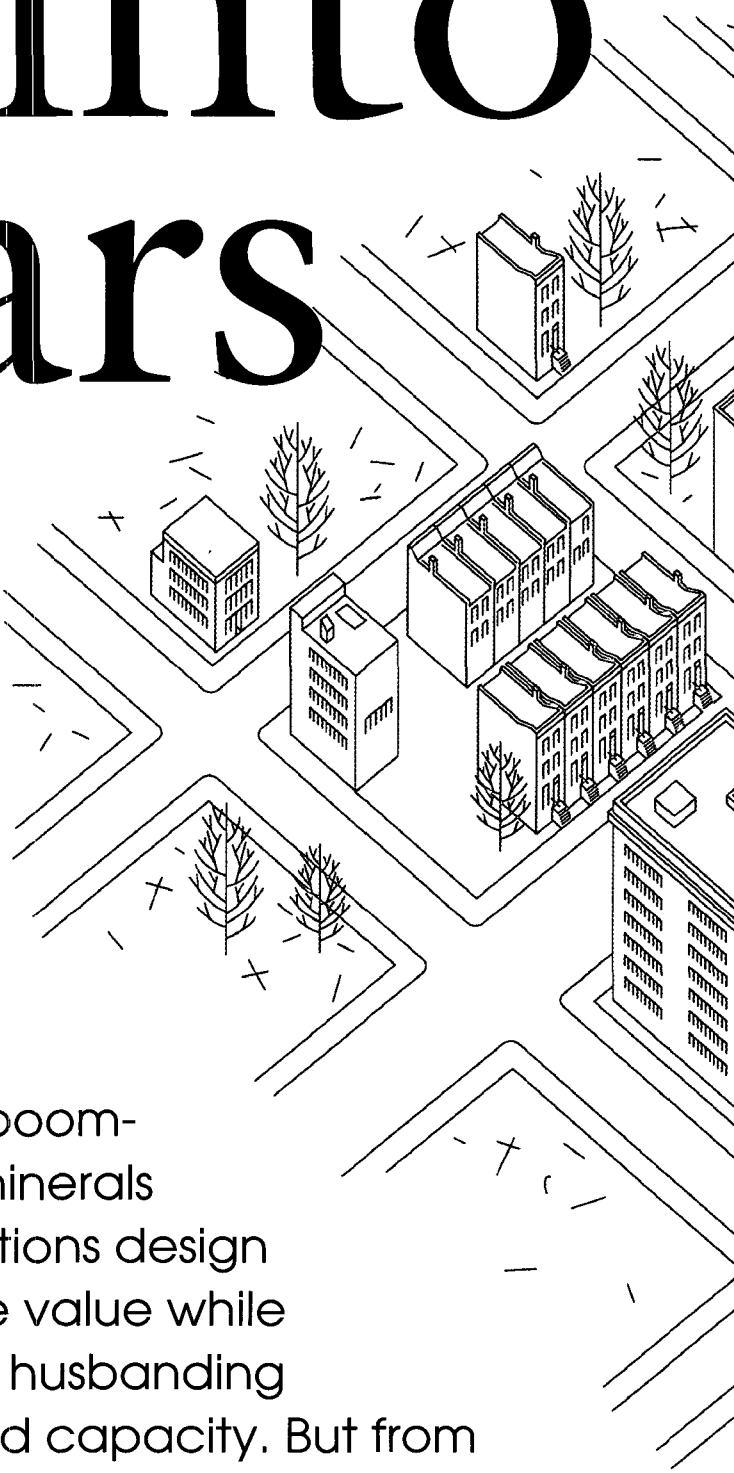
Dirt into Dollars

by Mark Alan Hughes



Converting Vacant Land into Valuable Development

American cities have always been about growth. A hundred years ago, boosters organized boomtowns to exploit resources like minerals and cattle. Today, growth coalitions design New Urbanist towns to maximize value while deflecting political backlash by husbanding resources like farmland and road capacity. But from Sunbelt cities to suburbs everywhere, growth is the logic, the politics, and the policy of American places.

Mark Alan Hughes is a nonresident senior fellow in the Brookings Center on Urban and Metropolitan Policy and a senior fellow of the Robert A. Fox Program in Leadership at the University of Pennsylvania. *This article draws from previous research conducted with Rebekah Cook-Mack with the financial support of the Pew Charitable Trusts and the William Penn Foundation, which is gratefully acknowledged.*

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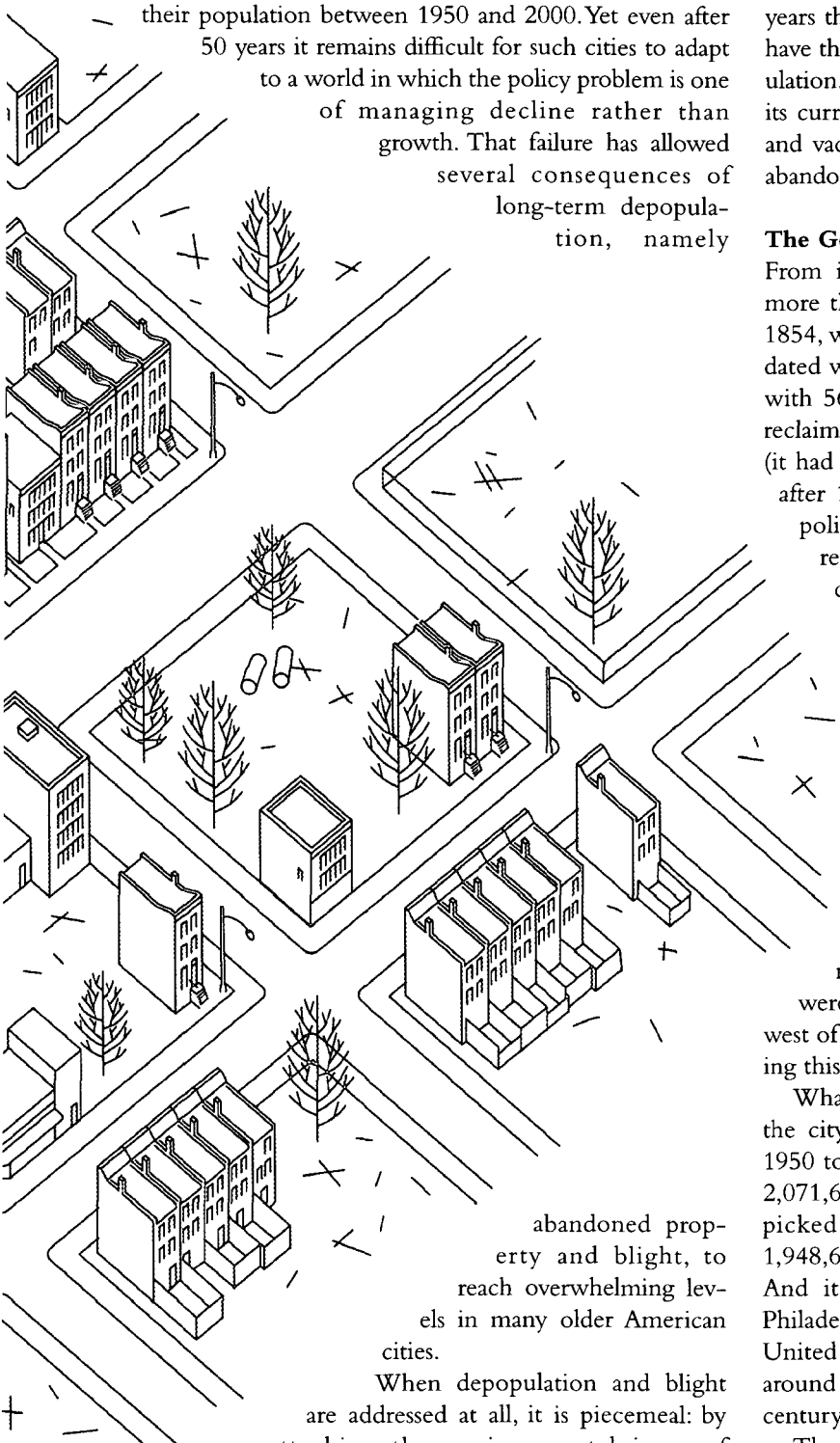
For the past half-century, this reality has made the older, once-central cities of the Northeast and Midwest awkward anomalies. St. Louis, Pittsburgh, and Cleveland lost about half their population between 1950 and 2000. Yet even after 50 years it remains difficult for such cities to adapt to a world in which the policy problem is one of managing decline rather than growth. That failure has allowed several consequences of long-term depopulation, namely abandoned property and blight, to reach overwhelming levels in many older American cities.



STEVE McCRACKEN

When depopulation and blight are addressed at all, it is piecemeal: by attacking the environmental issue of brownfields, the public safety issue of crack houses in empty row homes, the quality-of-life issue of trash-strewn vacant lots. But depopulation is so fundamental and has been so sustained in older industrial cities during this century that blight is now a problem in its own right and demands bold and comprehensive policy responses.

Philadelphia, my own home town, is a powerful illustration of these concerns. Like all the nation's older cities, it has suffered major population loss. Like them, it has been slow in coming to grips with the problem of depopulation. But in the past five years the tide may have begun turning. Philadelphia may now have the opportunity to lead the way in what I call "civic speculation." Guided by a strategic vision of a "right-sized" city for its current population, civic leaders could leverage abandoned and vacant land and change the subject from decline through abandonment to growth through consolidation.

The Good Old Days

From its founding in 1683, Philadelphia grew steadily for more than 250 years. The city's boundaries were enlarged in 1854, when what is known today as Center City was consolidated with the townships of the surrounding county. In 1860, with 565,529 residents in the consolidated city, Philadelphia reclaimed its traditional rank as the nation's second largest city (it had slipped to fourth behind Baltimore and New Orleans after 1840). By 1900, the population of this economic and political powerhouse had more than doubled to 1,293,697 residents. And by 1950, it had increased another 60 percent to 2,071,605. With the largely undeveloped tracts of Far Northeast and Southwest Philadelphia beckoning, it seemed that the city's population growth could continue unimpeded.

But troubling signs existed, even at mid-century. A 1952 city planning report noted that many older wards had been losing population since 1920 or even earlier. These planners calculated that because the population of the city's older neighborhoods had already peaked, the city's housing stock was capable of accommodating nearly 2.5 million people in 1950. With the actual population only 2.1 million, it was clear that the city's older neighborhoods were being left for newer housing farther north, south, and west of city hall. The city's overall population growth was hiding this depopulation in the older neighborhoods.

What no one could foresee then was the extent to which the city as a whole would begin to lose population. From 1950 to 1970, the city's population fell about 6 percent, from 2,071,605 to 1,948,609. In the next two decades, the pace picked up dramatically. The population dropped from 1,948,609 in 1970 to 1,585,577 in 1990, a loss of 19 percent. And it has continued falling. In a widely cited statistic, Philadelphia has lost more people than any county in the United States in the past two years. Its population now hovers around 1.4 million—roughly what it was at the turn of the last century.

The population loss since 1950 is related, of course, to suburbanization and the fixed political boundaries of the metropolitan region. While Philadelphia lost half a million residents between 1950 and 1990, its surrounding suburbs gained nearly four times that number.

Depopulation and Blight

Philadelphia's steady, sometimes precipitous, decline since

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1950 has many causes, some good and some bad, some intended and some not. Rising prosperity allowed middle-class households to purchase privacy in suburban subdivisions, while racial prejudice drove whites out of cities where minorities lived. Technological innovation made sprawling one-story business campuses more efficient than dense multi-story loft buildings, while redlining by lending institutions made stability in older neighborhoods virtually impossible. Public policies fostered the growth of modern and lower-density housing, as well as over-subsidizing growth at the suburban edge and over-depreciating assets at the urban core.

But regardless of the causes, the city's oldest neighborhoods, outside of Center City, have suffered catastrophic residential losses. Between 1950 and 1990, one neighborhood in North Philadelphia lost nearly half its population, dropping from 210,000 to 109,000. Another lost two-thirds, down from 111,000 to 39,000 residents.

Vacancy and abandonment have been extensive. As of 1992, the Department of Licenses and Inspections identified 27,000 abandoned residential buildings and 15,800 vacant residential lots. More recent estimates approximately double both those estimates, and the number of abandoned houses is now thought to exceed 50,000. In 1999, a study by Fairmount Ventures for the Pennsylvania Horticultural Society identified 30,900 vacant residential lots of one acre or less in the city, about two-thirds of which are privately owned. About 1,000 residential structures have been demolished every year during the 1990s—not nearly fast enough to keep long-term vacant buildings from becoming unsafe.

> In some Philadelphia neighborhoods half the lots have no houses, and half the houses left standing are abandoned.

A series of recent reports has attempted to sound a warning bell. In June 1995, the Philadelphia City Planning Commission released *Vacant Land in Philadelphia*, an excellent analysis of both vacancy conditions and the administrative procedures that have evolved to deal with them. The report, which has become the definitive source for the underlying state law relevant to the myriad departments and procedures affecting vacant property, makes two recommendations. First, the city needs to build an information base on vacant property that is comprehensive, timely, and capable of supporting strategic decisionmaking. Second, it must coordinate agencies and streamline procedures in accordance with a strategic plan for property acquisition and disposition.

In September 1995, the Pennsylvania Horticultural Society with the financial support of the Pew Charitable Trusts released *Urban Vacant Land: Issues and Recommendations*, a state-of-the-art review of vacant land and how it is managed not only in Philadelphia, but in other pioneering cities, including Boston and Cleveland. The report describes a variety of management techniques, both short-term strategies related to greening and gardening and long-term techniques such as parcel assembly and intensive reuse. The report echoes the two key City Planning Commission recommendations. First, Philadelphia should create an integrated land records database or an inventory that is easy to access and update. Second, it should coordinate decisionmaking to assure that various city agencies are working toward common goals.

By the end of 1997, the City's Office of Housing and Community Development had issued *Vacant Property Prescriptions* and *Neighborhood Transformations*, two reports that advanced public debate by illustrating the variety of partnerships and specific projects that the city and nonprofits had pursued during the administration of Mayor Edward Rendell. Distilling lessons from that experience, the reports recommend that the city tailor programs and interventions to neighborhood-specific needs, which can vary considerably, and coordinate efforts, especially between the Philadelphia Housing Authority and the Office of Housing and Community Development.

The William Penn Foundation has also supported a far-ranging series of reports under the auspices of the Pennsylvania Horticultural Society. The first was a cost-benefit analysis of remediating and maintaining the inventory of over 30,900 vacant residential lots in the city. Later reports highlighted demonstration efforts in target neighborhoods, suggested changes in city policies and practices, and developed a financing plan for citywide vacant land management.

Barriers to Progress

Philadelphia is now in the forefront of policy analysis and action on the issue of vacant property. But several barriers to significant and lasting progress remain. The most important is the administrative apparatus available to confront the problem of blight.

The responsibility for vacant property in Philadelphia is divided among 15 public agencies. Anyone wanting to buy a property may spend weeks negotiating the maze of agencies just to apply. A developer often invests months to meet the differing agency requirements. Decisions made by one city agency can undermine those made by others. A single city block can contain homes owned by the Pennsylvania Horticultural Society, slated for demolition by the Department of Licenses and Inspections, included in a Redevelopment Authority urban renewal project, awarded an Office of Housing and Community Development grant for rehabilitation, and promised for a specific redevelopment plan by a council person. Each action, taken independently, has a profound effect on the others.

The current system of land management, complete with numerous checks, balances, and mandatory waiting periods, evolved to help structure and organize a growing city. Despite a half-century of decline, the complex system continues to define the city's approach to managing vacant property today.

The 1995 City Planning Commission report exhaustively

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summarizes the missions and procedures of the key public agencies. As just one example, obtaining a certification of blight (which allows the Redevelopment Authority to condemn, acquire, and ultimately transfer a property to a new owner) involves no fewer than six city agencies.

Improved interdepartmental cooperation during the Rendell administration has made transfers such as this one more efficient, cutting average time from two years to six months. But it is not enough to expedite the current approach to property disposition, which operates on an individual first-come, first-served basis and largely without reference to any strategic plan for the affected block, neighborhood, or city as a whole. To the extent that these small-scale property transfers reduce the inventory of available parcels and transfer them to individual owners, they also reduce the opportunity for assembling and consolidating parcels into larger redevelopment opportunities. Transferring a small parcel to an adjacent owner to use as a side parking lot or to a local group to use as a community garden will often be the appropriate use for vacant lots. But these transfers should be held to some standard comparison with alternate uses rather than simply determined by who's in line at the title window.

Repeated recommendations to strengthen interagency coordination have arguably led to improvements in the past year or two but still have not created a strategic vision or public apparatus bold enough to confront the effects of 50 years of depopulation. Coordination, even if it could be achieved, is not likely to be a strong enough response. As noted, the dozen or so agencies to be coordinated evolved during an era of growth and remain oriented to the obsolete land uses that abandoned properties had decades ago.

Areas that look like Dresden after World War II must be consolidated and, in some cases, the remaining households relocated.

Prior use too often determines jurisdiction under this administrative regime though it is a weak criterion for determining responsibility and authority for vacant property. To be sure, in some cases prior use has technical implications for vacant property's future disposition (for example, remediating the contamination of some former industrial properties; preserving the historic character of some former residential properties). But 50 years of depopulation and its accumulated effects on vacancy and abandonment demands an administrative capacity that can think strategically beyond prior use and understand vacant property as a generic resource. These vacant properties must be viewed in the context of surrounding neighborhoods. In some Philadelphia neighborhoods half the lots have no houses, and half the houses left standing are abandoned. Areas that often look like Dresden after World War II must be consolidated and, in some cases, the remaining households relocated.

A single authority should replace the current fragmented efforts to acquire, manage, consolidate, and dispose of the abandoned buildings and vacant land in Philadelphia. This is the crux of the policy debate now under way in the city in the first months of the new administration of John F. Street. Mayor Street has made blight removal the top priority of his first year, and a transition planning committee has endorsed the idea of a single blight authority. But the devil is in the administrative details, and right now Philadelphia is the center of a fascinating debate on both blight policy and municipal governance issues.

A consolidated public authority in a city like Philadelphia should have the administrative capacity to pursue three functions. First, it should create a strategic plan with a citywide view of the vacant property inventory. This change of scale is essential to "right-sizing" a city's land use to serve a much smaller population. Fairly obviously, this approach implies a triage strategy. Triage will always be difficult. But its object, it is important to note, is near-empty streets and blocks, not people or neighborhoods. Properties can be assembled with minimal relocation to improve every person's housing quality and stabilize vulnerable neighborhoods. What is valuable is the land, not the largely obsolete buildings. Demolition, maintenance, redevelopment—almost everything—is cheaper with assembly and consolidation. Only a citywide strategic plan can motivate and sustain a "right-sizing" approach.

Second, a single public authority could redevelop its consolidated inventory as market conditions warrant. The complex, and politicized, maze of fragmented public authority in Philadelphia impedes even when private actors want to act, whether it be a homeowner wanting to acquire an adjacent lot for parking or a supermarket chain looking for a 10-acre parcel. There is certainly demand, especially in this economy, for some sites in some locations to develop some uses. A consolidated authority can help restore the property market to places like North Philadelphia.

Finally, a single authority can serve as an intentional land bank. Philadelphia has several unintentional land banks in the form of the dormant holdings of multiple public agencies. A single authority probably facilitates redevelopment. But even more important, it creates the capacity for responsibly maintaining the undoubtedly large fraction of the vacant property inventory that is unlikely to be redeveloped any time soon. That maintenance is an obligation all too easily shirked in Philadelphia today.

Of course, all this administrative capacity would be pointless without financial resources. The consensus estimate in Philadelphia is that more than $750 million would be needed to fund demolition alone. To his credit, Mayor Street in his first few months in office has backed his commitment to blight removal with a new $250 million anti-blight proposal. The jury is still out on the financing and administrative details of that proposal.

But it is increasingly clear that managing the effects of 50 years of decline is an issue whose time has come for Philadelphia and for the nation's other once-central cities. ■

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The Paradox of Infrastructure Investment

Can a Productive Good Reduce Productivity?

by Andrew F. Haughwout

In 1999, federal, state, and local governments together spent nearly $250 billion on nondefense infrastructure ranging from computers for office workers to land for new streets. Given this substantial public capital investment, it seems worthwhile to consider what effect it might have on national well-being, especially in metropolitan areas, where most Americans live and work. Perhaps surprisingly, there is little academic consensus on this fundamental question, despite more than a decade of close scrutiny.

The potential benefits of public capital investments are of two sorts. First, the investments might directly or indirectly make us richer. By raising productivity, they could raise the income we receive from working or investing. The second potential benefit does not involve markets. We may, for example, value the time we save when our town upgrades a congested intersection, or our kids may enjoy visiting the new playground in our neighborhood. These nonmarket benefits are surely important, but we know little about how big they are or whether what we might call "quality of life" public investments are worth their cost.

Economists have focused on the productivity benefits of public investment for several reasons. First, measuring productivity is what economists do best, and data and methods for measuring state-level productivity effects are readily available. Second, some early research on public capital's national effects seemed to show that it was extremely productive. Some authors even claimed that the slowdown in public investment in the early 1970s, when the interstate highway system was nearing completion, helped contribute to the national productivity growth slowdown that began about the same time. If they were correct, then the nation was in desperate need of a large new capital investment plan.

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What Have We Learned?

Much of the more recent work on the productivity benefits of public investment has focused on the states rather than on the nation as a whole. One reason for narrowing the analysis is pragmatic research design. Data limitations and statistical problems make it hard to identify the separate effect of infrastructure investment on economic growth at the national level, and many observers have been skeptical of the size of the infrastructure effects claimed by some authors. States offer a veritable cornucopia of infrastructure and economic growth data that allow for more careful statistical analysis. In addition, most of the nation's infrastructure is owned by state and local governments. The current trend toward decentralizing public responsibilities would probably give these governments a central role in any plan to boost public investment.

Analysis of the effect of state and local government investment on state-level economic growth has provided a range of estimates, and debate about the exact magnitude of the effect

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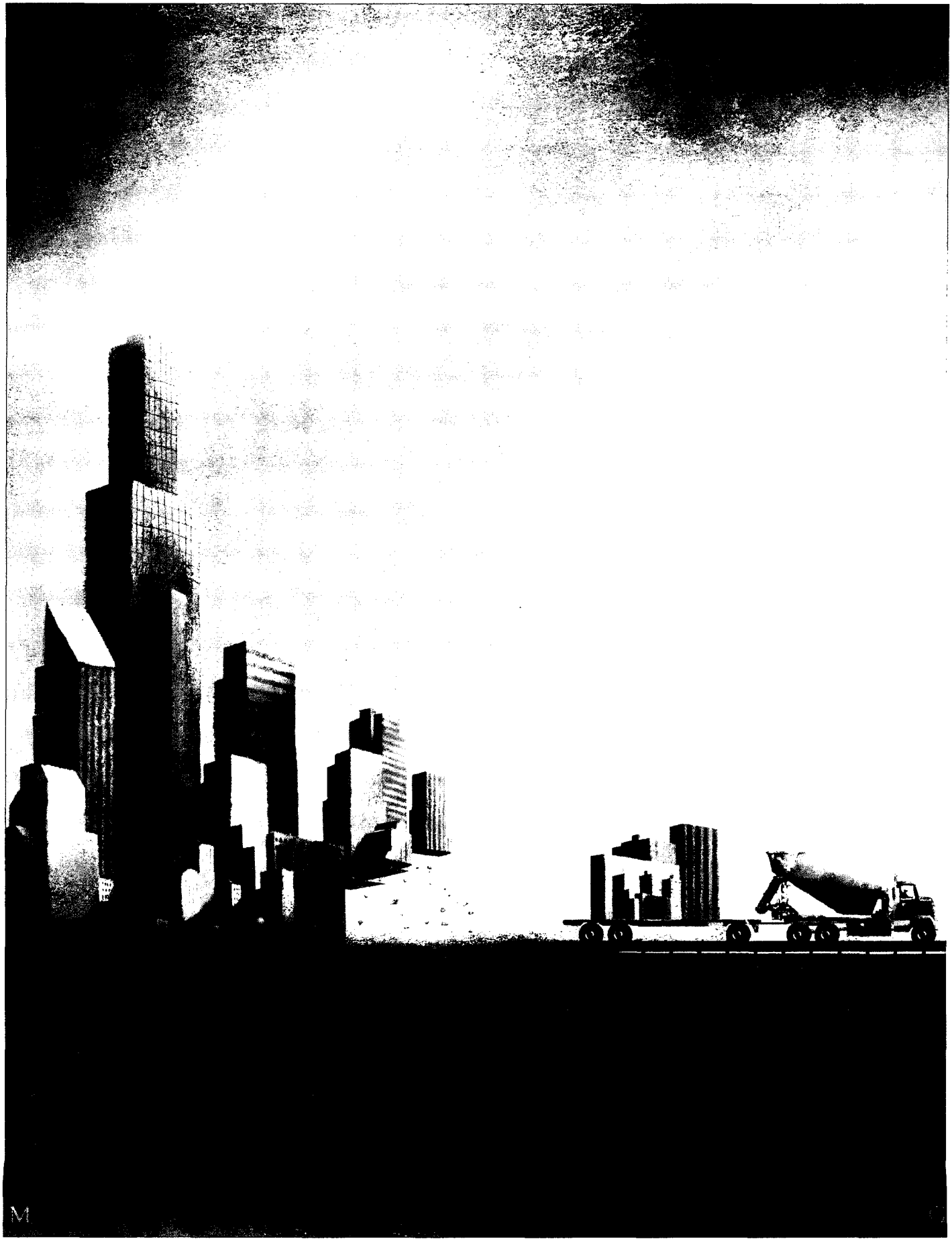

MICHAEL GIBBS

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continues. But most authors now seem to agree that modest increases in state public capital stocks would not dramatically raise state economic growth—in other words, that increasing public investment will not add much to a given state's ability to create jobs and wealth.

Economists have been hesitant to give the policy advice, "Don't do it," because they recognize that some projects may have a beneficial economic effect even if the average one doesn't. They also realize that the productivity evidence does not take into account the direct household benefit of having a better infrastructure stock. The household sector has received relatively little attention in the infrastructure literature, in part because there is no widely accepted way of measuring benefits received directly by households. History and casual observation, however, provide at least anecdotal evidence that households value highly some elements of the infrastructure stock. Consider, as examples, the widespread suburbanization that was surely spurred by the development of urban arterial roadways, or the clustering of high-income residents around New York's Central Park. In both cases, and a multitude of others, households express the value they place on public infrastructure by relocating to get access to it. This process bids up the value of land near new public works relative to land that gets no new investment. We can infer something about how households and, by the same logic, firms feel about public works by watching how they evaluate places with lots of infrastructure as against places with little. In some ways this is the question that economists have been asking: do states that devote a lot of resources to public investment capture more growth than those that don't?

But research on the effects of infrastructure investment on firms' and households' location decisions tends to find that the benefits of new investments are localized—they are highest near where the investments are placed. This finding makes sense, particularly for public works like playgrounds, parks, or public buildings: the farther someone has to travel to use the facility, the less its net value. The geographic extent of infrastructure benefits, of course, depends on the size, type, and location of new public works. City playgrounds are most valuable to those who live closest to them and can use them frequently. Large, modern sewer systems provide benefits to homes and businesses that can hook up to them as well as to others whose local environment is made cleaner. And, importantly, centrally located or easily accessible facilities would be expected to provide more widespread benefits.

Network systems like highways are a special case, because improving any part of the system provides benefits that may extend throughout it. But most current highway improvements, especially in urban areas, are designed to relieve traffic hotspots or to provide other fairly localized benefits. A resurfaced freeway lane in San Diego is probably of little note to residents of San Francisco, even though it may be valuable to those who use the roadway every day.

One implication of the research finding that the benefits of public works generally decline with distance is that the effects of most modern infrastructure projects usually won't be even roughly uniform over geographic areas as large as a state. Thus, studies that focus on states may miss some of public investment's most important effects.

Taken together, the finding that the benefits of public works tend to be localized and the consensus that infrastructure's state-level effect is small lead to a more general understanding of the effect of public investment. In particular, they suggest that infrastructure investments are valuable and that their primary effect is to rearrange the spatial distribution of jobs and residences within states. Firms seeking high-quality road connections may be able to find them in newly developed areas of their home state. Households tired of congested inner-ring parks may move to the fringes of metropolitan areas, where open space is more plentiful and from which they can commute to the same jobs, perhaps along the same roads that firms find valuable.

Where Does the Money Go?

Data limitations make it hard to nail down exactly where new public works investments, especially those funded by state governments, are made. The scant evidence available is that most new public works are put in place in suburbs rather than in central cities. During 1987–91, for example, Philadelphia's Pennsylvania suburbs received about $641 million more than the city in new highway investments, much of it paid for by the state, even though an unusual new limited-access roadway through the central city, the expensive Vine Street Expressway, was being built during that same period at a cost of more than $200 million. A highway differential this large may have cost Philadelphia as many as 20,000 jobs. And evidence for the nation as a whole implies that the phenomenon is widespread.

So What?

No one who has ever watched office parks spring up around new highway interchanges will be surprised to learn that places receiving new public works draw activity. It may also not be surprising that the job growth next to new infrastructure systems comes at the expense of jobs somewhere else. Few readers will be astonished to discover that new territory on the fringes of metropolitan areas gets more benefits than the older urban center or that suburban jurisdictions are systematically able to extract more benefits from the political process than are central cities. The notion that public works provide local benefits to the places that get them at the expense of places that don't is as old and as well understood as the term "pork barrel."

Many will be tempted to interpret this spatial redistribution as a relatively benign phenomenon, with few implications for overall social welfare. True, some residents benefit at the expense of others, but surely the total benefit averages out to be zero at worst, or maybe even slightly positive. Of course, given a $250 billion price tag, benefits ought to be more than slightly positive if the nation's money is to be put to its best use. But I will argue here that the total benefit of all this infrastructure investment may well be far less than zero.

How can relocating a job from one county to another be

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anything other than a wash in total? Answering this question requires a brief detour into the growing academic literature on nonmarket interactions among businesses. These interactions have potentially large effects on both economic growth and equity.

Benefits from the spatial concentration of economic activities, especially jobs, have long been a central feature of urban economic models, and recent studies have revived interest in the role of density in aggregate economic growth. Whereas earlier work was concerned primarily with urban growth and decline, newer studies have focused on the macroeconomic effects of the spatial organization of activities. Much of the work emphasizes the role of external economies of scale, meaning that the larger an economic area is, the more productive will be the firms there, because they benefit from the so-called "agglomeration economies" in densely developed areas. Thus where firms locate affects the size of agglomeration benefits available in particular areas, which in turn affects the productivity and location choice of other firms. Empirical evidence from increasingly sophisticated statistical models has demonstrated that, in the words of John Quigley, of the University of California at Berkeley, "increased size of cities and their diversity are strongly associated with increased output, productivity, and growth."

As Quigley notes, both the scale and the variety of activities in particular geographic areas have been found to increase productivity. And the gains may be of several sorts. Spatially concentrated employers may benefit by sharing access to a dense labor market. If one employee quits, another may be quickly found when many workers live within commuting distance. Likewise, the market for productive inputs will be more efficient when it is "thicker"—that is, when suppliers and demanders of a variety of intermediate goods and services are numerous. Firms may also benefit when they can share the cost of publicly provided inputs, especially big-ticket items like infrastructure. Finally, valuable information about markets, products, and productive processes may simply be "in the air" and more available in dense environments than in less developed places. Effects of this kind help explain the concentration of high-tech firms in Silicon Valley as well as the concentration of financial services jobs in central business districts around the country.

While agglomeration economies are thought to be important contributors to growth, less is known about the scale over which they operate. Some authors have focused on metropolitan areas, while others have looked at smaller geographic units. One recent paper in the *American Economic Review*, for example, analyzed aggregate state productivity as a function of employment density. The authors found that a doubling of their county density index (which weights the densest counties most heavily) is associated with roughly a 6 percent increase in aggregate state productivity. Together, these studies make a compelling economic case for fostering the development of our densest and most diverse employment centers—commonly known as cities.

But the interactions among firms arising from "agglomeration" are reciprocal and are not directly priced in markets. Individual firms will locate where their profits are highest, without regard to the effects that their move has on other firms. The fact that the primary function of state capital investment turns out to be subsidizing the spreading out of jobs thus means that it has the potential to reduce productivity. And a more dispersed employment pattern is closely associated with a more dispersed residential pattern, which also leads to the problems of socioeconomic segregation and costly suburban residential growth.

The real culprit here is not public investment itself, but the political process that puts it where it is least valuable.

Thus infrastructure is a seeming contradiction: it is a productive good whose aggregate productivity may be negative. Because it is productive, it draws activities toward it. But because it is primarily placed in low-density areas, it undercuts density and thereby reduces overall productivity. The real culprit here is not public investment itself, but the political process that puts it where it is least valuable. Reduced national productivity growth makes us all worse off.

So even if infrastructure dollars were free, it would be costly to invest them the way we do. Because infrastructure is instead very expensive, it is even more clear that our public investment policies need reform. Indeed, from the point of view of most urban residents, it would be better to burn the money than to spend it the way we do. Luckily, these are not our only alternatives.

What Should We Do?

Were states to get out of the business of capital investment, cities' job bases, and by extension national productivity, might be larger than they are under the current arrangement. But states are not likely to do so, especially because they have substantial revenue sources earmarked for particular kinds of investment. As an alternative, states might begin to consider more carefully how their investment policies affect the spatial distribution of jobs and whether the patterns that emerge are consistent with their economic growth objectives. States that wish to use their public capital money as part of a strategic economic development effort will direct more resources to central cities and other locales that have high concentrations of jobs and avoid building new projects in the greenfields on the edges of metro areas. The result will be a more densely developed state, with more moderate growth in the suburbs, lower taxes, and faster economic growth. That's a record any governor would be happy to run on. ■

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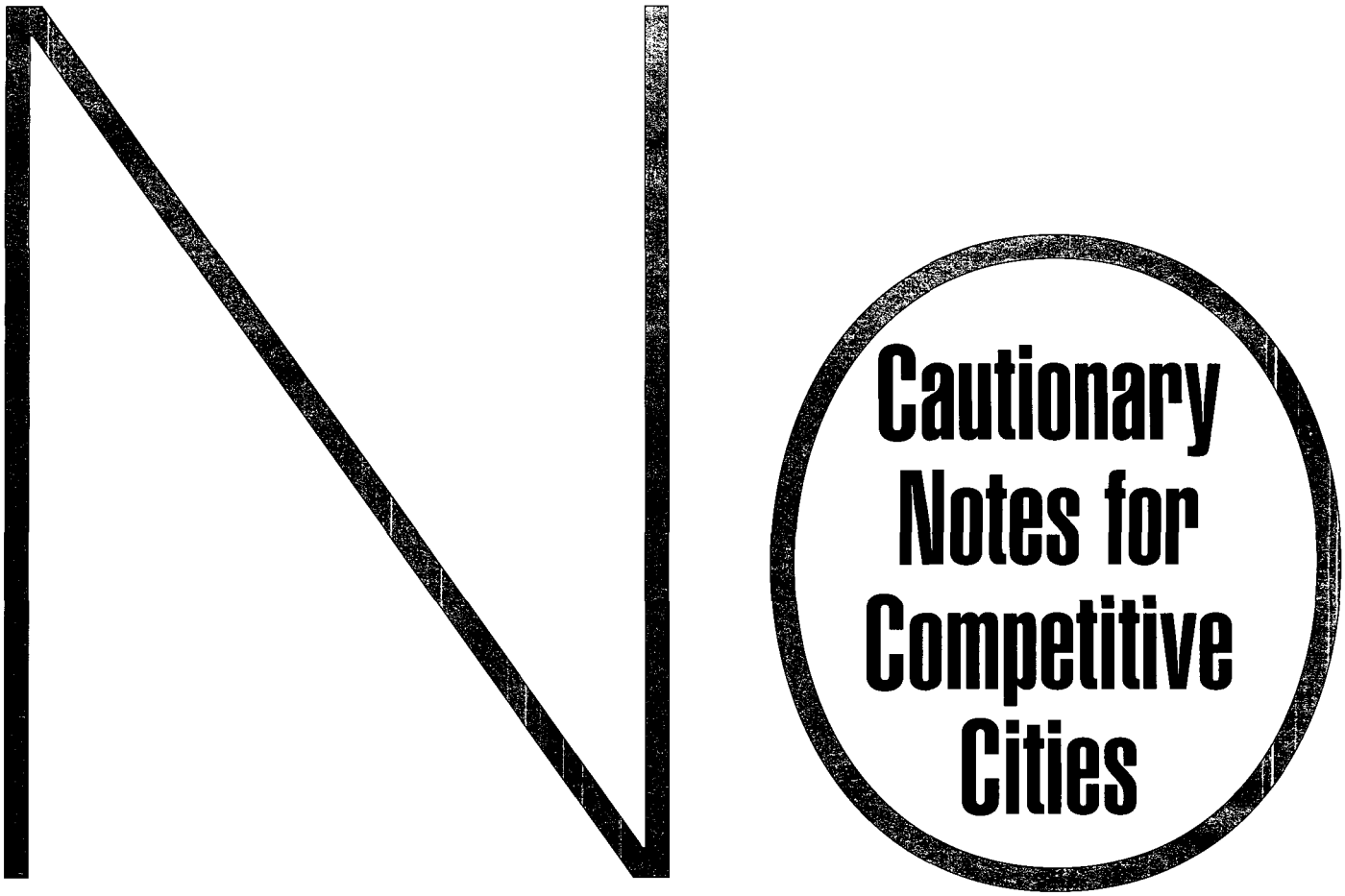

Easy Answers

by Ingrid Gould Ellen and Amy Ellen Schwartz

Leaders of American cities seeking to foster economic growth often look to success stories from other cities, hoping to find models and strategies to replicate. Some favorite strategies include investing in infrastructure, lowering taxes (both overall and in a targeted fashion), building sports stadiums, picking and promoting particular industries (such as "high tech"), and investing in casino gambling. But many benefits of those popular success stories are at best exaggerated and at worst apocryphal. Although the strategies sound appealing, and although each may have worked in particular well-publicized circumstances, as gambling did in Las Vegas, they are typically not successful and policymakers should be cautious in pursuing them.

Ingrid Gould Ellen is an assistant professor and Amy Ellen Schwartz an associate professor at the Wagner School of Public Service, New York University.

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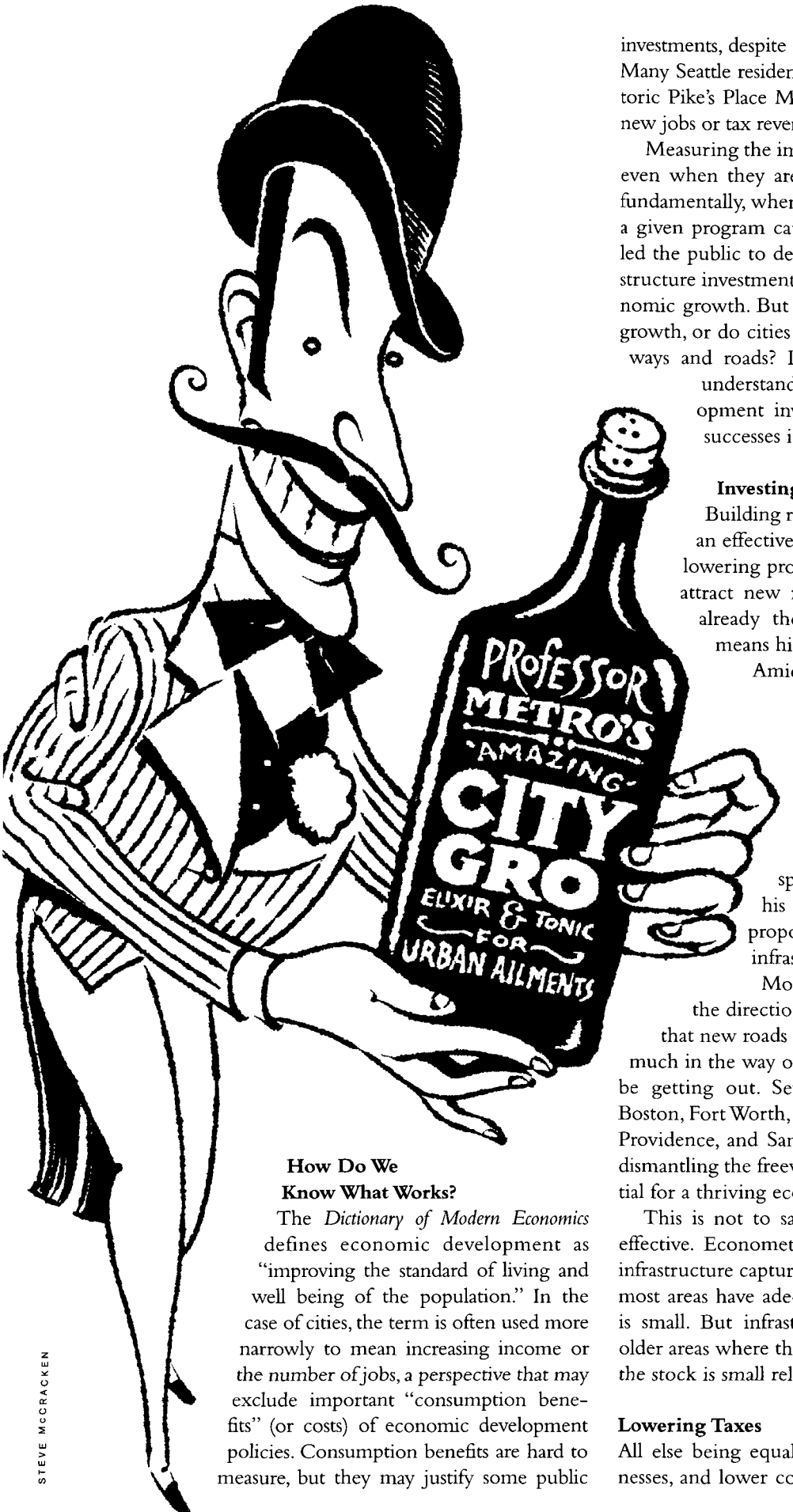

STEVE McCRACKEN

How Do We Know What Works?

The *Dictionary of Modern Economics* defines economic development as "improving the standard of living and well being of the population." In the case of cities, the term is often used more narrowly to mean increasing income or the number of jobs, a perspective that may exclude important "consumption benefits" (or costs) of economic development policies. Consumption benefits are hard to measure, but they may justify some public investments, despite disappointing effects on economic growth. Many Seattle residents, for instance, were pleased when the historic Pike's Place Marketplace was renovated, regardless of any new jobs or tax revenues.

Measuring the impact of economic development programs, even when they are narrowly defined, is also difficult. Most fundamentally, when income rises, it is hard to know whether a given program caused the rise, or whether higher incomes led the public to demand more of some public service. Infrastructure investment, for instance, appears correlated with economic growth. But does building a new road spur economic growth, or do cities with rising incomes demand better parkways and roads? Disentangling this causality is critical to understanding the effectiveness of economic development investments of all kinds and to replicating successes in the future.

Investing in Infrastructure

Building roads and bridges has long been considered an effective strategy for fueling economic growth. By lowering production costs, more and better roads may attract new firms into the city and encourage those already there to expand. Building the roads also means hiring workers, using supplies, and so on.

Amid claims from engineers that the nation's infrastructure was crumbling and assertions from a small group of vocal economists (David Aschauer, most notably) that inadequate investment in infrastructure was slowing the economy, government officials argued for big increases in public spending during the early 1990s. Early in his first term, for instance, President Clinton proposed spending $20 billion on a national infrastructure initiative.

More recent research has begun to sort out the direction of causality, and a consensus is emerging that new roads and infrastructure are unlikely to generate much in the way of economic growth. And the message may be getting out. Several cities across the country, notably Boston, Fort Worth, Hartford, New York, Oakland, Pittsburgh, Providence, and San Francisco, are now relocating and even dismantling the freeways and highways once considered essential for a thriving economy.

This is not to say that infrastructure investment is never effective. Econometric measures of the effect of additional infrastructure capture the "average effect" nationwide. Because most areas have adequate infrastructure, the estimated impact is small. But infrastructure investment may be effective in older areas where the stock is aging or in growing areas where the stock is small relative to needs.

Lowering Taxes

All else being equal, lower taxes mean lower costs for businesses, and lower costs, in turn, should attract new firms and

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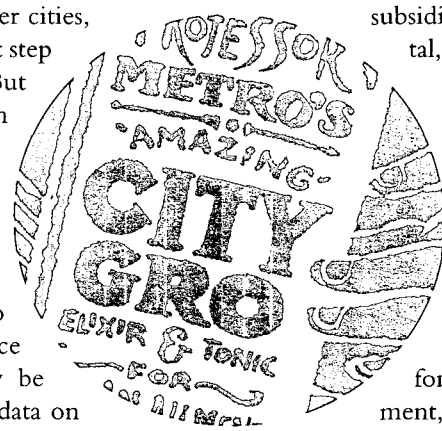
spur old ones to expand. Yet it is far from certain that tax cuts spur economic growth. For one thing, lower taxes often mean lower levels of public services. For another, taxes are a relatively small part of the typical firm's cost of doing business—much smaller, say, than wages and other expenses. Decisions about where to do business depend on many factors, including the characteristics of the local work force, proximity to markets, and so on.

The existing empirical evidence—albeit imperfect—suggests that although tax cuts may have a small effect on business location decisions, they do not appear to spur much economic growth. They work best in small areas, where they can attract businesses that would otherwise have set up shop nearby. Tax policy, in other words, is most effective in luring businesses from neighbors—not in attracting them from afar. Finally, as city leaders no doubt know, enacting tax cuts takes significant political capital, which may crowd out other interventions, such as altering the mix of taxes, say, toward taxing land value rather than property value.

As with infrastructure, there may be cities where taxes are so high, relative to their suburbs and other cities, that reducing them may be an important first step in a sound economic development plan. But these cases are likely to be the exception rather than the rule.



Lowering Taxes: Special Tax Deals

Another popular strategy among city leaders is granting special tax "deals" to particular firms, either to entice them to locate or to keep them from leaving. Anecdotal evidence suggests that these "sweetheart deals" may be costing cities significant tax revenues. Hard data on special tax deals is scanty, but Timothy Bartik, of the W.E. Upjohn Institute, suggests that in the early 1990s they may have cost as much as $25–$60 per capita in annual tax revenues in some states.

Whether these tax deals ultimately make sense depends first on what firms would have done in their absence. Special deals can increase growth only if they change firm location decisions. But it is not easy for policymakers to distinguish between firms that require special treatment and those that do not want it. As a result, cities often give special deals to firms that would have chosen to locate or to remain there regardless.

Even when incentives do affect firm location, they may not be advisable. Because taxes have only a small effect on where firms locate, special tax incentives can be effective only if they are relatively generous. By implication, the jobs and income saved or created would have to be on a similar scale to justify the expense.

The political pressure to save and create jobs is intense, and it is tempting for city leaders to offer incentives to keep firms from leaving and to bring in "new businesses." But the public rarely appreciates the full cost of these tax incentives, and city leaders should balance the political benefits with a concern for the longer-term costs.

Lowering Taxes: Enterprise Zones

Increasingly, cities also offer special deals to firms locating in particular neighborhoods. As of 1995, states boasted nearly 3,000 "enterprise zones." Today some 87 empowerment zones and enterprise communities participate in the federal program. These programs differ in specifics, but all use tax preferences and other incentives to entice firms to locate or expand in certain neighborhoods.

To date, enterprise zones have yielded disappointing results. Even in small zones, the subsidies tend to be too modest to alter business location decisions. To the extent that they do, they typically draw firms that would have located nearby anyway, implying little increase in overall economic activity in a city, but instead a re-arrangement within it. (Of course, one could argue that the very point of enterprise zones is to redirect investment in this way—that is, toward distressed, high-unemployment areas.)

Even if zones generate new investment, they may not create jobs. As Leslie Papke, of Michigan State University, points out, policymakers need to pay close attention to the mix of subsidies offered. If subsidies are targeted to capital, for instance, such as sales tax exemptions for the purchase of machinery and equipment, firms may shift to more capital-intensive production and perhaps reduce employment. If a ready supply of workers is not available to meet the increased demand, the new investment may simply increase wages. Even if new jobs are created, they may not go to local residents. Indeed, residents may be hurt as local land rents increase.

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Picking Winners: The High-Tech Strategy

Silicon Valley has become a symbol of the extraordinary benefits that high-technology industries can bring to regional economies. In just a few decades, the birth and expansion of microelectronics firms transformed the Valley from an agricultural community into one of the fastest-growing and most affluent regions in the nation. Not surprisingly, local governments throughout the country are working to attract high-tech start-ups.

But the conditions that gave rise to Silicon Valley and other high-tech regions are quite exceptional and difficult to replicate. One critical ingredient is a skilled work force. Thus, many high-tech firms locate in large metropolitan areas, near major universities or research centers, and in areas with amenities likely to attract professional workers and academic and industrial researchers. High-tech firms also gravitate toward other firms in similar or related industries, where they can learn

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from one another about new products and techniques and draw from a shared pool of skilled labor. The result is something of a virtuous cycle. Cities and regions that already have high-tech firms are the ones likely to attract more.

It is not clear what cities, especially small cities, can do to promote high-tech growth. Because much of what seems to be important to the high-tech industry is determined regionally and is largely outside a city's control, the conventional tools to attract new businesses (such as tax incentives) may be especially ineffective.

Sports Stadiums

One of the most popular strategies for generating economic activity is building new sports stadiums and arenas. By investing in a new stadium, the theory goes, a city can spur economic growth and increase tax revenues because of both ticket sales and increased traffic at nearby businesses. But these rosy predictions are rarely borne out.

New stadiums are extremely expensive, often costing upwards of $200 million. And the ticket revenues and related sales come at the expense of businesses elsewhere in the area, such as movie theaters, bowling alleys, and restaurants. Even the money paid to players in salaries rarely contributes to the city economy, because athletes seldom live in the city where they play. The multiple analyses included in *Sports, Jobs, and Taxes*, edited by Roger Noll and Andrew Zimbalist and published by Brookings in 1997, report no significant effect of sports stadiums on jobs or taxes, and these findings are echoed in more recent research.

Of course, the location of a stadium within a metropolitan area may matter. A basketball arena in downtown Washington, D.C., surely yields a different pattern of economic activity than one in suburban Maryland. But even these effects appear small.

Economic development effects aside, major league sports may still generate important consumption benefits. Taxpayers who never attend a game may nevertheless be willing to pay to keep the home team from leaving or to have a new team take up residence. Although it is difficult to quantify these consumption benefits, they may serve to justify a stadium that doesn't pay for itself.

The Casino Gamble

The continuing economic boom in Las Vegas as well as the success of tribal casinos elsewhere has made casino gambling an increasingly popular economic development strategy. Detroit residents recently voted to approve the opening of the $225 million MGM Grand Casino, and other cities, such as Joliet, Illinois, and Buffalo, New York, may soon follow suit.

Certainly, Las Vegas has been a remarkable success. But the more sobering case of Atlantic City, together with the pessimistic evidence emerging from the economic literature, suggests that casino gambling is far from a sure bet. The essential difficulty for casinos is the same as that for stadiums—the revenues and jobs may come at the expense of existing businesses.

As before, circumstances may exist under which casinos may be effective. First, casinos that are locally owned are more likely to generate local spending. Second, those that draw revenues from outside are more likely to spur economic growth, drawing new dollars into the local area. In particular, isolated destination spots like Las Vegas that can hold onto tourists for long periods at a time are more likely to fuel growth. Of course, Las Vegas was helped by Nevada's monopoly on legal casino gambling for many years.

Dollars and Sense

Alas, there is no magic bullet. The most careful research shows that conventional economic development policies, appealing as they may be, typically yield disappointing results. Changing the direction of a city's economy is difficult, and the ultimate success of particular policies may turn on realities beyond a mayor's reach. Even policies that seem to work do so in small measure, creating marginal improvements that are never fully satisfying to a public looking for dramatic change.

This is not to suggest that local leaders are without any effective strategies. For example, it may be that policies aimed at improving elementary and secondary education, reducing crime, improving colleges and universities, or changing the mix of local taxes can effectively spur economic growth. At this point, research has little to say about these strategies, in part because most studies to date have focused on economic development policies for states, metropolitan areas, or local jurisdictions broadly defined (including suburban jurisdictions). Thus more research is needed to weigh the effect of such alternative policies specifically on cities.

Finally, in weighing the costs and benefits of various interventions, policymakers may want to look beyond their potential impact on jobs and economic growth. Some economic development projects provide amenities that citizens value. Even if a new school or new road or sports arena fails to deliver as many new jobs as had been hoped, its meaning to the community may well be valued in terms beyond dollars and cents. ■

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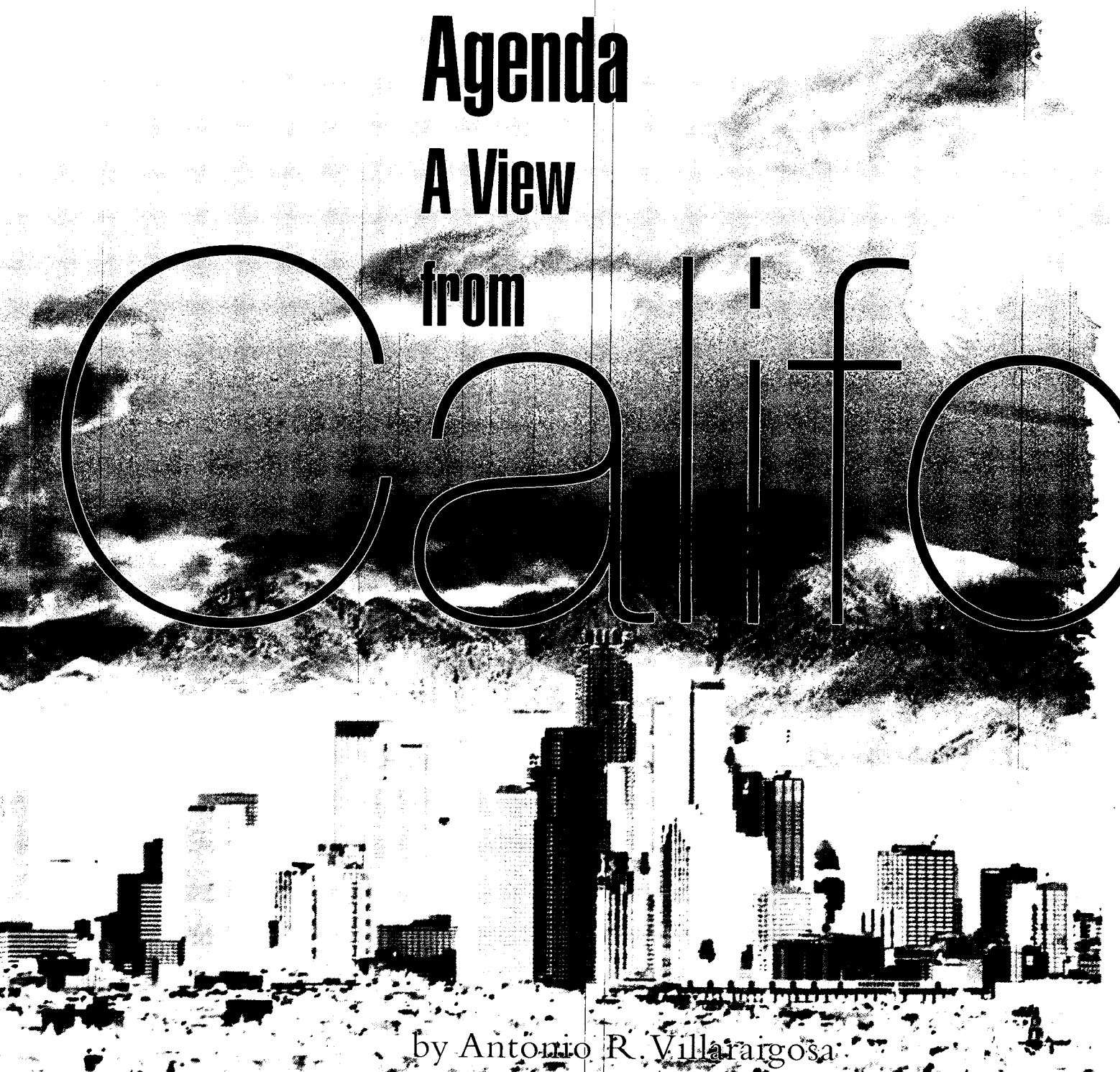
America's Urban Agenda

A View from Calif



by Antonio R. Villaraigosa

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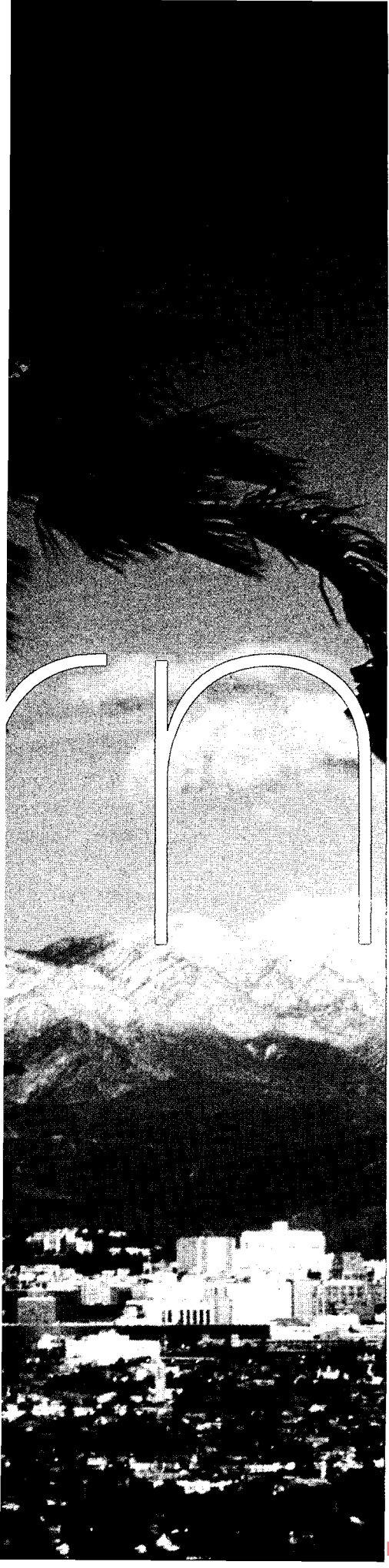

PHILIP CONDIT/STONE

A generation ago, pundits, professors, politicians, and policymakers debated what to do about the "urban crisis." Today the discussion is about the metropolitan predicament. The terms have evolved because our urban areas have been transformed. At the dawn of the 21st century, most Americans live in suburbs. But they have not exactly left the cities behind.

Cities and suburbs alike face daunting challenges. Our suburbs—from wealthy gated communities, to gritty blue-collar bungalow and industrial communities, to new housing tract developments on the urban fringe—are inexorably linked to the fate of nearby cities. In fact, many of the places we call suburbs are really small cities. They, too, confront serious problems: fiscal challenges, poverty, environmental concerns, crime, housing shortages, traffic congestion, ethnic tensions, and struggling public schools. The question is whether cities and suburbs can recognize and build on their common ground, working together instead of competing in the struggle for public resources and governmental attention.

Since the 1960s, helping cities has been perceived as a matter of political ideology. How much help they get has largely depended on which political party was in power in Washington and whether it thought its friends were in the cities or in the suburbs. It's time to accept the fact that cities, like suburbs, are too important to be political footballs.

As the federal government has reduced its role in urban policy, states are becoming more important sources of creative thinking on how to address metropolitan concerns. Over the past 20 years, Congress—in what some academics have described as "fend-for-yourself federalism"—has given states responsibility for addressing many issues that most vex cities and suburbs. Although we cannot let Washington off the hook when it comes to strengthening metropolitan areas, including central cities, the reality is that states will be wielding significant new power. The question is how they will use it.

More than any other state, California reflects the nation's changing demographic, economic, and political realities. If metropolitan-wide approaches are the wave of the future, then nowhere is that strategy more appropriate than in California. California practically invented the "metroplex" concept. In the San Francisco Bay Area and in Los Angeles–Orange County–Inland Empire, it is hard to know where the cities end and the suburbs begin. The state is home to 4 of the nation's 25 largest metropolitan areas—the San Francisco Bay Area, the metro Los Angeles–Orange County–Inland Empire, greater San Diego, and the Sacramento–Yolo County area. California has 56 cities with populations over 100,000, including 4 of the nation's 25 largest cities: Los Angeles, San Diego, San Jose, and San Francisco. Many California cities were small towns, even rural communities, only a decade or so ago.

States can play at least three important roles in improving metropolitan areas. First, they can help cities and suburbs address their fiscal dilemmas. Second, they can help make communities more livable by dealing with infrastructure, traffic congestion, pollution, and parks. Finally, states can help support working families, especially those on the bottom rungs of the economic ladder, many of whom live in distressed neighborhoods in cities and older suburbs.

Helping Cities Pay Their Bills

Many localities are in a fiscal bind. Improving management can help, but in most cases cities' fiscal problems are structural. Increasingly, municipal governments' needs are greater than their resources. States can and should help local governments stabilize and improve their financial condition. California's landmark Proposition 13, passed in

Antonio Villaraigosa is in his third and final term as a member of the California State Assembly, serving the 45th Assembly District in Los Angeles from 1994 to 2000. In January 1998 he was elected Speaker of the Assembly and served until April 2000.

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1978, shifted control over property tax revenues from the local government to the state. It left local jurisdictions dependent on sales tax revenues, along with state subventions, to pay their bills. As a result, local governments tend to favor retail land uses over housing and industry, often triggering controversies over shopping malls and "big box" stores (such as WalMart).

Proposition 13 also has led to self-defeating competition between jurisdictions for taxable investment. In *The Reluctant Metropolis*, Bill Fulton described the bidding wars among three adjacent Southern California cities (Oxnard, Ventura, and Camarillo) to entice shopping centers and auto malls with public subsidies and tax breaks. After several years of this competition, an Oxnard council member declared in frustration, "This is not about creating new business. This is about spending $30 million to move two stores three miles." State government should help municipalities avoid bidding wars that undermine the fiscal health of all. Cities need the resources to shape their own destinies and provide basic services that people expect from local government. Changing the rules on revenue distribution can relieve some of the pressure that forces California cities to fight over sales taxes.

If we can help localities become fiscally independent, some 80 percent of our cities would be at least a little better off overnight and a lot better off in the long run. During my term as speaker, my office sponsored a statewide, bipartisan blue-ribbon task force on fiscal reform, which delivered its findings to the legislature earlier this year. Among its recommendations are returning to local jurisdictions a portion of property tax revenues in exchange for a portion of sales tax revenues, whose fluctuations the state is better equipped to accommodate, and returning to cities and counties some of the revenues diverted in the early 1990s to keep the state budget in balance during the recession.

While some communities, in California and elsewhere, agitate for increased local control, another movement, spurred in part by the rise of "smart growth," argues for regional cooperation in planning and fiscal matters. If, as some claim, only regionalism can secure the services, infrastructure, and quality of life that residents demand, these factions must call a cease-fire. Here is another role for the state. Its preemptive statutory role in land use planning, environmental protection, and transportation, and in certain kinds of infrastructure planning and finance, gives it the authority to force warring local factions to the table. Whether the state has the moral authority (or gumption) to exercise its legal authority remains to be seen.

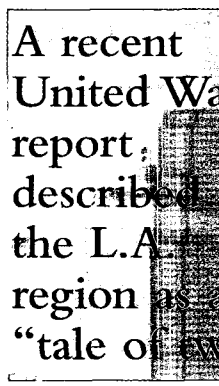
More Livable Communities

The land use, infrastructure, and transportation planning powers described above are often viewed as the boring minutiae of government, but they are critical to any state effort to build livable communities. There are those who view suburban sprawl and traffic gridlock as the inevitable consequence of our desire for a single-family house, a yard, and a picket fence. Challenging the tendency toward sprawl first requires removing incentives that encourage it and making urban communities more appealing for families with choices.

States have a key role in addressing the growing public concern for more livable communities. For example, they can invest in infrastructure that helps rebuild cities and nearby older suburbs. For several decades, California allowed its physical foundation to deteriorate, primarily because of anti-tax, anti-"big government" politics, but also because of earthquakes and other natural disasters. It is time to repair the damage, a task that will be easier if the state is not forced to spend limited resources building new facilities to service sprawl communities.

Fortunately, California is beginning to look at infrastructure planning from a "big picture" strategic, anti-sprawl angle. A task force appointed by Governor Gray Davis is working on a plan that is likely to focus future infrastructure in existing communities. State budget analysts predict that California must spend nearly $100–150 billion to meet its current and future infrastructure needs, but this spending, which will generate many jobs, will also be a substantial investment in the state's future.

Federal and state policies have long favored private autos over public transit. More people will use public transit if it is convenient and affordable, but mass transit systems have long been underfunded, discouraging people from getting out of their cars. California now appears ready—building on tentative, sometimes controversial steps taken in the 1990s—to step up funding for urban mass transit projects. The governor and legislature recently announced a three-year $5 billion transportation spending plan, half of which is devoted to mass transit. An ambitious proposal for statewide high-speed rail, which could reduce traffic gridlock in urban areas, is in the works as well.



In the mid-1990s, the Los Angeles County Metropolitan Transportation Authority bit off more than it could chew in its plan envisioning a spiderweb of subways and light rail throughout the county. A chastened agency now struggles to improve bus service and provide more modest corridor rapid transit in parts of the urban area, while the San Francisco Bay Area takes similar steps. The bottom line is that both the state and its major metroplexes acknowledge that without comprehensive improvement to the mass transit system, California risks choking on its own traffic, air pollution, and the economic dislocation that can result from both.

In the past few years California has also become more active in environmental protection that relates to cities. Voters recently approved an unprecedented $2.1 billion park bond and its companion, a $1.9 billion water bond, nearly half of which will go to enhance recreation and open space in urban areas. To address the last remaining unregulated mobile source of vehicular pollution, we launched a program to subsidize the replacement of dirty diesel truck and bus engines with cleaner technologies. After more than a decade and a half of disinvestment in commercially and environmentally valuable natural resources, California is turning the corner.

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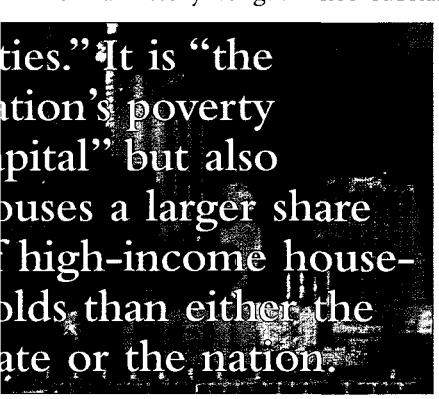
Helping Working Families

A state's responsibility to deal with wide disparities between the haves and have-nots has broad implications for cities. According to *Pulling Apart*, a recent Center on Budget and Policy Priorities report, in 46 states the income gap between the richest and poorest one-fifth of the population is wider today than it was two decades ago. More than one-fifth of America's children, increasingly concentrated in urban ghettos, live in poverty, with inadequate health care and housing. Millions more live on poverty's edge.

California reflects these national trends. It ranks fifth in terms of the disparity between rich and poor. A recent United Way report described the L.A. region as a "tale of two cities." It is "the nation's poverty capital" but also houses a larger share of high-income households than either the state or the nation. It has, in particular, many working poor families—those who work hard but struggle to make ends meet with low-wage jobs. These economic gaps are reflected in many ways: the continuing crisis of our public schools; lack of access to decent health care for a growing number of people, including many working poor families; and the deepening shortage of affordable housing for the middle class as well as the poor.

After a 20-plus year drift from near the top to the bottom of state rankings in per-pupil education spending, California has begun the long climb back toward respectable investment in schools. Two years ago I sponsored a $9.2 billion school bond measure, the largest in U.S. history and the first in California history to guarantee substantial investment in urban school districts.



This measure is only a down payment on the state's $40 billion school facility repair needs, but it reverses decades of state school finance policy that favored suburban school districts (thus underwriting sprawl). By earmarking a major portion of the funds for use by urban school districts, the initiative helps ease difficulties cities face in getting access to funds because of costly land acquisition and environmental requirements not typically confronted by wealthier suburban districts.

California has the nation's highest proportion of people without health insurance, most of whom live in cities. This drains municipal coffers when public hospital emergency rooms become these families' primary care providers. In response, the legislature created the Healthy Families Program in 1997 and expanded it last year. It combines federal and state dollars to extend health insurance coverage to the children of California's working poor who don't quality for Medi-Cal (the state's Medicaid program) and can't afford their own insurance. Although California still needs to push harder to enroll all eligible children in this program, the legislation made a good start.

Too often state and local governments provide grants to businesses without adequately considering the kind of jobs these public investments create. In recent years, at least two dozen cities and counties around the country, including several in California, have enacted "living wage" laws to guarantee that firms receiving government subsidies, contracts, or tax breaks pay their employees enough to raise a family and provide health insurance. State and local governments could broaden this principle to link all forms of public investment—tax breaks, grants, and loans, among them—to living wages, particularly in jobs in growing industries that offer a career ladder.

Many California business leaders recognize that the housing shortage—the most severe in the nation—hurts the overall business climate and neighborhood commercial areas. Skyrocketing housing prices make it difficult for corporations, hospitals, and universities to attract and retain employees. When families spend more than one-third or one-half of their incomes just to keep a roof over their heads, they have little discretionary income to pay for other essentials. This undermines family life (for the middle class and the poor) and hurts local economies. After years of neglect, California is now back in the housing business. State Assembly leaders recently proposed a $1 billion housing program to expand homeownership and provide affordable rental housing for the work force. I expect that business, labor, civic, and religious leaders will rally behind this initiative. Meanwhile, the state could do still more to help cities cope with homelessness and slum housing.

Good Business

Revitalizing our urban areas is good business. Not only will our private sector thrive by doing much of the work, it will reap the benefits of communities where employees enjoy a better quality of life and can be more productive on the job. One of the best kept secrets in state politics has been that, to the extent California has lost employers and jobs to other states, it has been over quality-of-life issues, such as congestion, housing costs, poor schools, and poor air quality, as much as over tax and regulatory concerns.

For much of the past two decades, Washington turned its back on the nation's metropolitan areas. Despite recent improvements, cities are still the orphans in our federal family. We need a new partnership between the federal government and our metropolitan areas—to set ground rules to promote metropolitan-wide cooperation (the federal Clean Air Act is a good example), to level the economic playing field (by renewing some kind of targeted revenue-sharing to localities with structural fiscal problems), and to provide funding for mass transit, health care, and housing.

But metropolitan reform is not just about money or policy agendas. It is also about attitude. State government officials must use their bully pulpit to help people think about cities and their place in society. If we're all in the same boat, it matters little whether the boat starts to leak at the urban end or the suburban end. Eventually, all of us will be treading water. To avoid that scenario, we need strong leaders, realistic resources, and a commitment to work together. ■

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Revitalizing Denver's Downtown

by Wellington E. Webb

At the heart of every city is a downtown, a hub that determines the city's success or failure. Much of the momentum for our economic turnaround in Denver originated in our strategy for downtown.

One of the first things I did after taking office in 1991 was to convene a downtown summit focused on housing. Up to that point, the emphasis downtown had been on retail, not on housing. I was convinced that if a residential population could be established downtown, retail would follow. Out of the summit came several housing-oriented initiatives.

We created a downtown housing office to market our inventory of vacant buildings to housing developers and to provide developers and investors with accurate information on properties and market conditions. We also made sweeping changes in downtown zoning to encourage housing and transit-oriented development and to protect historic buildings. The land use regulations in place inhibited housing. We used higher density to encourage housing and created design standards and review. As a result, we were able to save a critical mass of our older buildings downtown. They may not have been functional for office space, but they worked as housing.

In addition, we eliminated parking as a "use by right." Once a downtown is more than one-third parking lots, it loses its character and sense of place. We provided housing financing on unconventional projects. Once these projects were successful, they were supported by conventional lenders. We directed all our private activity bond allocations toward downtown housing projects for three years. And we created a multimillion-dollar revolving loan fund for housing, which we continue to increase.

In 1995, I convened another summit to take our success one step further. Our lower downtown was booming, and our midtown was under renovation. The time had come to expand our focus to the inner-ring neighborhoods right around downtown. They were not benefiting from the economic resurgence, but they offered lower property and building costs and a strong downtown as an anchor.

We continued several other important elements of Denver's long-term strategy, including placing sports arenas and major cultural facilities downtown and maintaining downtown as the hub of the regional transportation system, including the initial phases of the light rail system.

One final key to our downtown revitalization has been a constructive partnership between the public and private sectors. In 1998, the International Downtown Association awarded Denver its Outstanding Achievement Award, and said that "the collaboration of the City and County of Denver, the Denver Urban Renewal Authority, and the Downtown Denver Partnership provide a model for cities all over the world." ■

MONTY NUSS

Wellington E. Webb is mayor of Denver.

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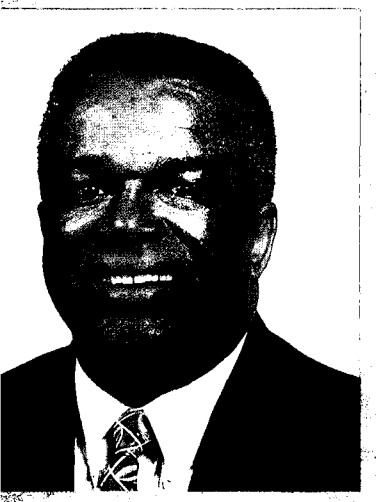
Managing High-Tech Growth in King County

by Ron Sims



Balancing land use policies with an exploding high-tech industry—computer, telecommunications, Internet, and biotechnology—keeps King County, Washington, walking a growth management tightrope as local government works to control new development while keeping our area's outstanding quality of life.

King County, the nation's 13th most populous county, is home to Seattle and 38 other cities, as well as to more than 1.6 million people and 1.1 million jobs.

The county is in the midst of an economic boom that created almost 175,000 new jobs between 1990 and 1998, while the population grew by 158,500. In response, King County and its cities instituted countywide planning policies that direct new development into 13 designated urban centers, all well supplied with infrastructure capacity. The countywide policies, based on Washington state's 1990 Growth Management Act, use both government investment and land more efficiently, preserving more rural areas and preventing sprawl.

The policies work in harmony with market forces. Firms in similar industries tend to locate close to each other (to enjoy what economists call agglomeration economies), so that new employment in those industries is highly concentrated in a few locations. From 1990 to 1998, eight of every ten new jobs in the county were either in Seattle or in the Eastside cities of Bellevue, Bothell, Issaquah, Kirkland, and Redmond. High-tech employment (mostly in biotech and computer-related firms) has especially been bunched together. Almost 75 percent of regional high-tech growth between 1995 and 1998 was in Seattle and the Eastside cities.

Last year, the software industry employed 24,300 people in the state, with 97 percent of them in King County. Some 600 former Microsoft employees have started their own companies, while 2,400 companies or software firms have sprung up, creating 16,000 new jobs.

Redmond, home of Microsoft, has the county's largest concentration of high-tech firms. Nearby Bellevue and Kirkland have also been centers of high-tech growth. Microsoft's headquarters has attracted many new computer hardware and software companies to the area. Some 130 Microsoft spin-offs have also located close to the Redmond campus. These new firms, suppliers of high-tech goods and services, and a highly skilled labor pool all encourage businesses to be part of the synergy fostered by a critical mass of similar businesses. The availability of research facilities and venture capital, along with proximity to customers and to the residences of corporate officers, are other reasons for clustering. Eastside cities also offer upscale housing and shops for the relatively well-paid high-tech employees.

Seattle has been a similar draw for the biotechnology industry, including such companies as Zymogenetics and Immunex, which is developing its new headquarters and research facility there. The presence of the University of Washington and the Fred Hutchinson Cancer Research Center in Seattle gives biotech firms the skilled researchers and research labs they need to compete.

Recently many Internet and high-tech companies such as Real Networks, Go2net, and Visio Corporation have also begun to move to downtown Seattle, attracted by the redevelopment of buildings to suit high-tech needs. New housing, restaurants, and retail shops in the downtown core, cultural and recreational opportunities such as the new art museum, the new sports arena, and the new look of the waterfront have revived Seattle. Combined with the Eastside cities, [illegible]

Ron Sims is King County, Washington, Executive.

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Fighting Crime in Cities

A

Jim Brown [illegible] crime-fighting strategy.

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Getting the Basics Right

by Anthony A. Williams

When I became mayor of Washington in January 1999, I took over a government that was famously unable to deliver even basic services. While our financial picture had improved considerably since the worst days of our financial crisis, residents had lost faith that simple government services could be delivered in a timely and courteous manner. My first priority was to restore faith in government by demonstrating rapid, visible improvements in basic services.

I immediately challenged my cabinet to set an aggressive agenda that agencies would accomplish within one year or less. Over the year we completed 25 of 28 initiatives on schedule. But it was our earliest actions that captured the attention of residents.

LATEEF MANGUM

Lengthy inspections of construction projects were a long-standing problem for the District's business community. The Department of Consumer and Regulatory Affairs (DCRA) eliminated a four-month backlog of electrical inspections within six weeks and reduced its response time for new requests to within 48 hours. By the end of February, DCRA also established a Development Ambassadors program where one inspector expedites complex building reviews. Ninety-five percent of reviews that once took up to six months are now completed within 30 days.

A major irritant to residents was that published government phone numbers were frequently wrong. We committed to establish "One Number" for agencies and launched the Citywide Call Center in April 1999. The Call Center is at the heart of our commitment to improve customer service. Residents now have an easy-to-remember number—727-1000—and we track performance data on frequently requested services and how long it takes to resolve them.

Within months, citizens' calls, letters, and e-mails evolved from disbelief to enthusiasm. We are now the victims of our earliest successes. Residents have learned to expect a "gold standard" of service and will call to complain if we miss our goal of filling every pothole within 72 hours. Such attention and high expectations are welcome. We made promises and expect to be held accountable.

Short-term initiatives are a down payment, building trust, confidence, and a little momentum. But ultimately our challenges go beyond processing permits or filling potholes.

In formulating my priorities for the rest of my administration, I decided to do something a little untraditional—empower citizens to set priorities for their government. I held a "Citizen Summit," bringing together more than 3,000 residents.

We used their comments to develop a Citywide Strategic Plan, a blueprint for what this government will seek to achieve in the next few years. The plan has specific, measurable deadlines and goals, like putting 200 more cops on the street, reducing wait-times at the Department of Motor Vehicles to 30 minutes or less, resurfacing 150 blocks of streets and alleys, or beginning construction of 1,000 housing units.

Finally, to enable citizens to track our progress, we've created "scorecards" for each cabinet member and me—printed checklists of what we must achieve by a given date. The scorecards are on our website, *www.washingtondc.gov*, and we will pass them out at community meetings.

What have we learned? First, you have to start small. Small successes give you a mandate and credibility to do more. Second, we've learned that government alone can't solve every problem. Ultimately, we must mobilize the entire community to work together. As they have in the past, our residents are responding to the call to action. This time around, they will have government as a reliable partner. ■

Anthony A. Williams is mayor of Washington, D.C.

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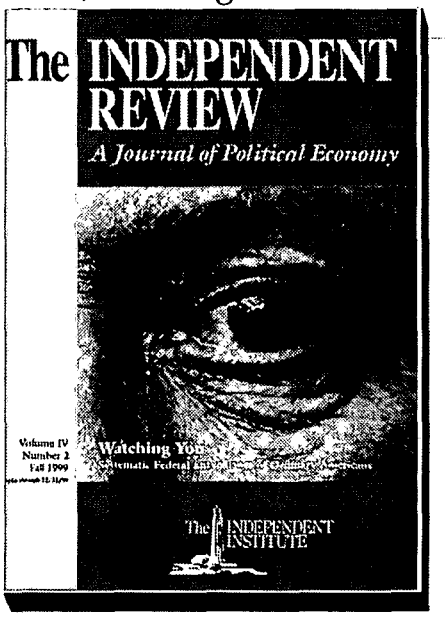

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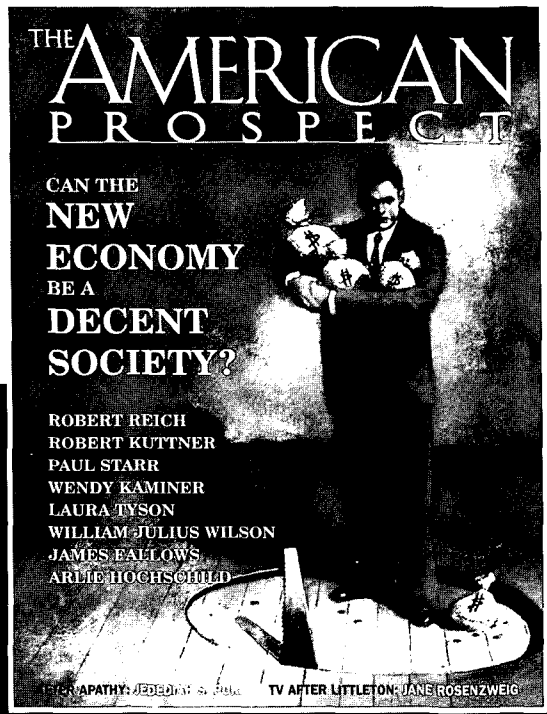

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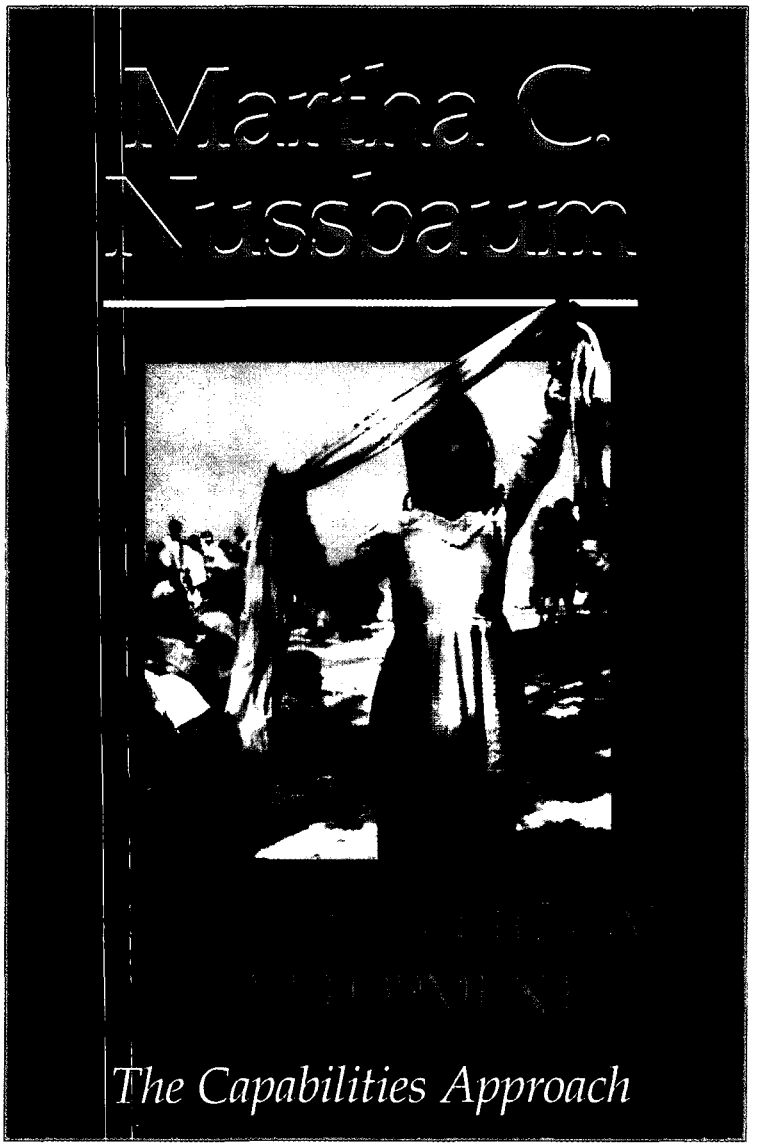

"This book is an important contribution to the increasing dialogue between Western and Third World feminists, and should be read by anyone interested in international development."

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In this major book Martha Nussbaum, one of the most innovative and influential philosophical voices of our time, proposes a new kind of feminism that is genuinely international, argues for an ethical underpinning to all thought about development planning and public policy, and dramatically moves beyond the abstractions of economists and philosophers to embed thought about justice in the concrete reality of the struggles of poor women.

The account is based on the idea of human capabilities: what people are actually capable of doing or becoming in the real world. This approach is then defended against the charge that all universals are bound to be insensitive to regional and cultural specificity. Martha Nussbaum also argues that it is an approach superior to the preference-based approaches prevalent in contemporary economics. Two final chapters consider the particular problems that arise when sex equality clashes with the claims of religion or family.

This is a vividly written book that is rich in narrative examples. It offers a radically fresh account of how we should understand the "quality of life", and how we should think about the basic minimum that all governments should provide for their citizens. Moreover, it calls for a new international focus for feminism, and shows through concrete detail how philosophical arguments about justice really do connect with the practical concerns of public policy.

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